



# Look Think Act

Now, together



TEMASEK



Today, our world faces its most urgent crisis.

**Look** at the melting polar ice caps, weather extremes, floods and droughts.

**Think** what it means if we let our planet go past the tipping point of 1.5 degrees Celsius – we are already one degree warmer, and will soon hit half a degree more if we do nothing.

**Act** boldly and purposefully to reduce pollution and waste, and halve our carbon emissions by 2030.

Temasek stands ready to invest  
for a cooler, better world –  
one that is more sustainable  
for people, lives and livelihoods.

Let's do well, do right, do good.

Now, together...  
before it's too late.





# The Temasek Charter

## An active investor and shareholder

We deliver sustainable value over the long term

## A forward looking institution

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

## A trusted steward

We strive for the advancement of our communities across generations



Discover the Temasek Charter at [temasekreview.com.sg/charter](https://temasekreview.com.sg/charter) or scan the QR code

Enjoying the lush greenery at Punggol Waterway Park.





# Ten-year Performance Overview

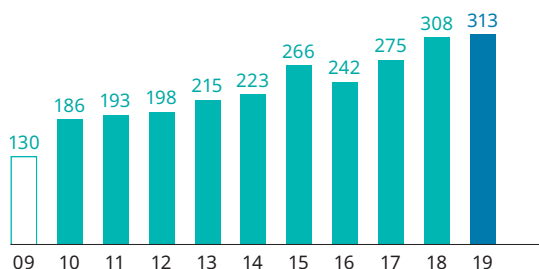
We ended the year with a net portfolio value of S\$313 billion<sup>1</sup>.

(as at 31 March)

Net portfolio value

**S\$313b**

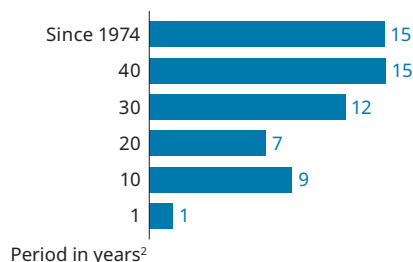
Net Portfolio Value (S\$b)



One-year return to shareholder

**1.49%**

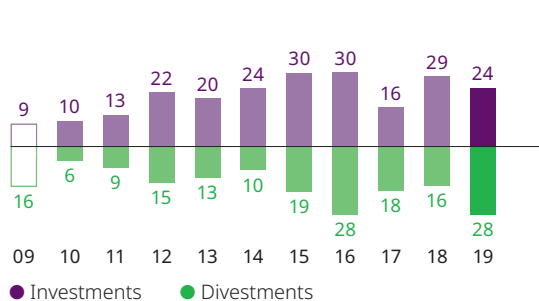
S\$ Total Shareholder Return (%)



Invested during the decade

**S\$218b**

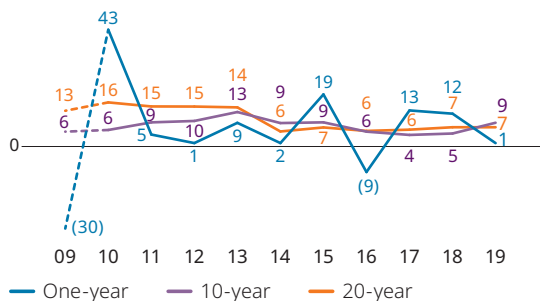
Investments & Divestments (S\$b)



Ten-year return to shareholder

**9%**

Rolling S\$ Total Shareholder Return (%)



Read our  
Chairman's message at  
[temasekreview.com.sg/message](http://temasekreview.com.sg/message)  
or scan the QR code



Read about our  
Total Shareholder Return at  
[temasekreview.com.sg/tsr](http://temasekreview.com.sg/tsr)  
or scan the QR code

<sup>1</sup> Equivalent to US\$231 billion as at 31 March 2019.

<sup>2</sup> As at 31 March 2019. TSR in US\$ terms was -2%, 10%, 9%, 14%, 16% and 16% for 1, 10, 20, 30, 40-year and since inception periods respectively.

# Portfolio Highlights

Two thirds of our underlying exposure is in Asia.

(as at 31 March)

## Geography<sup>3</sup> (%)



	2019	2018	2017
● Singapore	<b>26</b>	27	29
● China	<b>26</b>	26	25
● North America	<b>15</b>	13	12
● Asia (ex Singapore & China)	<b>14</b>	15	14
● Europe	<b>10</b>	9	8
● Australia & New Zealand	<b>6</b>	7	8
● Africa, Central Asia & the Middle East	<b>2</b>	2	2
● Latin America	<b>1</b>	1	2

## Sector<sup>3</sup> (%)



	2019	2018	2017
● Financial Services	<b>25</b>	26	25
● Telecommunications, Media & Technology	<b>20</b>	21	23
● Consumer & Real Estate	<b>17</b>	16	17
● Transportation & Industrials	<b>16</b>	16	17
● Life Sciences & Agribusiness	<b>7</b>	6	4
● Energy & Resources	<b>3</b>	3	3
● Multi-sector Funds	<b>8</b>	8	8
● Others (including Credit)	<b>4</b>	4	3

## Liquidity (%)



	2019	2018	2017
● Liquid & sub-20% listed assets <sup>5</sup>	<b>36</b>	36	33
● Listed large blocs (≥ 20% and < 50% share)	<b>10</b>	10	9
● Listed large blocs (≥ 50% share)	<b>12</b>	15	18
● Unlisted assets	<b>42</b>	39	40

<sup>3</sup> Distribution based on underlying assets.

<sup>4</sup> Exchange rates as at 31 March 2019.

<sup>5</sup> Mainly cash and cash equivalents, and sub-20% listed assets.

# How We Invest

We are an active investor and owner, focused on delivering sustainable value over the long term, to ultimately achieve a better world for this and future generations.

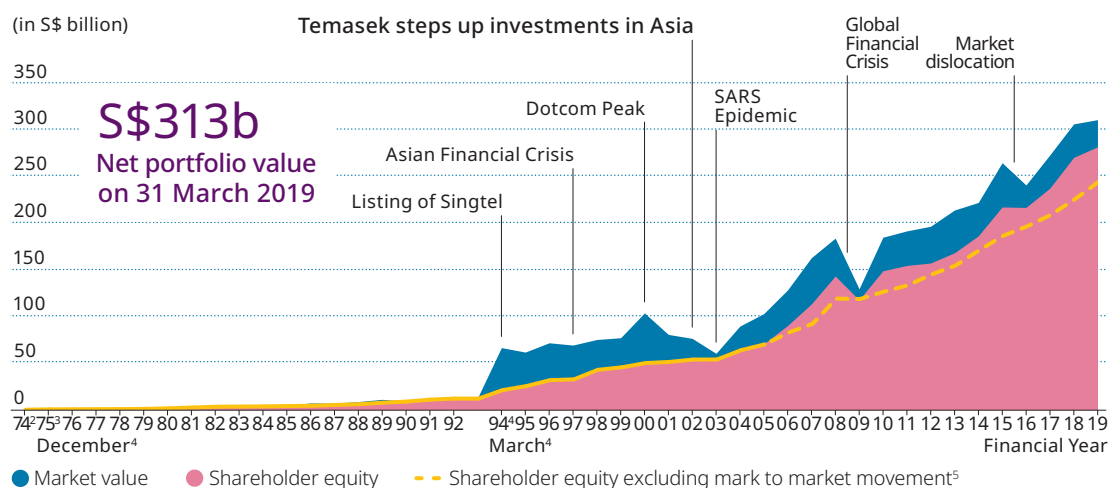
Since our inception, we have evolved from a Singapore investor to a global investor. Our investment philosophy has been underpinned over the last 17 years by four basic investment themes:

- Transforming Economies
- Growing Middle Income Populations
- Deepening Comparative Advantages
- Emerging Champions

We seek out companies that harness technological advancements to meet the needs of demographic shifts, and other changing consumption patterns.

As at 31 March 2019, our net portfolio value was S\$313 billion<sup>1</sup>.

## Temasek Net Portfolio Value since Inception



<sup>1</sup> US\$231 billion as at 31 March 2019.

<sup>2</sup> Incorporation of Temasek on 25 June 1974.

<sup>3</sup> Financial year 75 began on 25 June 1974 and ended 31 December 1975.

<sup>4</sup> Financial year-end was changed from 31 December before 1993 to 31 March from 1994 onwards.

<sup>5</sup> From the financial year ended 31 March 2006, the accounting standards require sub-20% investments to be marked to market.



# 12-month Returns Outlook

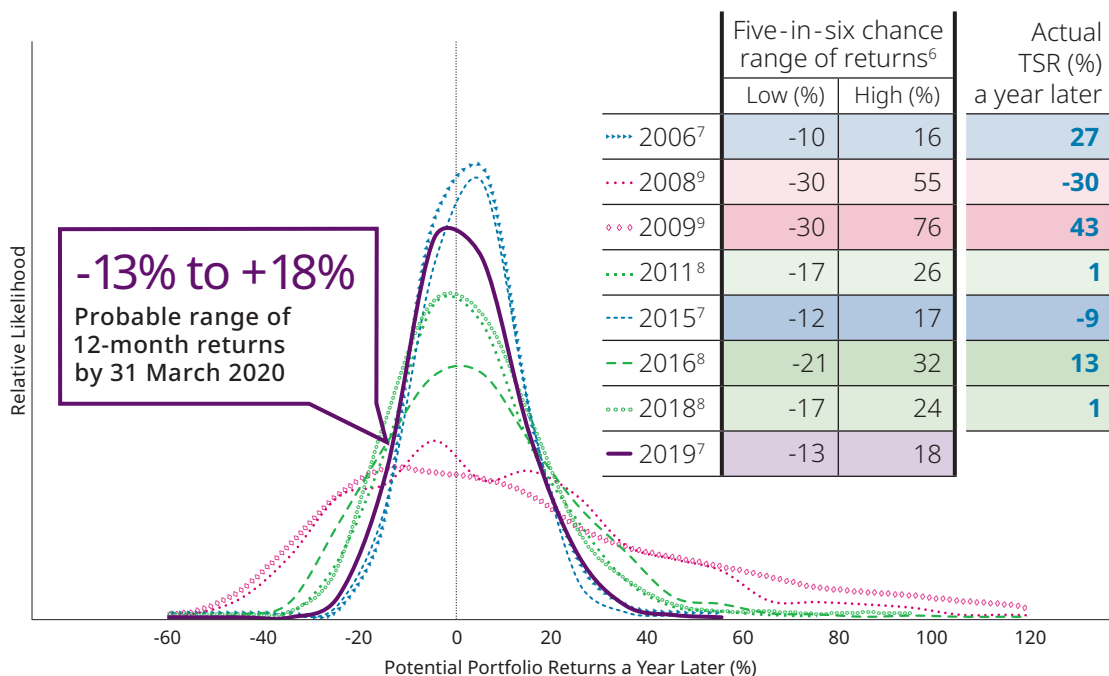
We do not manage our portfolio for annual returns or profits – we share the Monte Carlo simulations of our portfolio to give our stakeholders a sense of the likely range of returns in the coming 12 months.

Applied to our current Temasek portfolio mix, our simulation shows a five-in-six chance that our one-year portfolio returns may range from -13% to +18%. Our annual returns range over -30% to +43% in the last decade or so, reflecting the volatile nature of a mostly equity portfolio.

In the chart below, narrower curves mean less volatility compared to the flatter curves of the 2008/09 Global Financial Crisis years.

(as at 31 March)

## Simulation of 12-month Forward Portfolio Returns



<sup>6</sup> Based on Monte Carlo simulation for 12-month forward portfolio returns distribution, assuming no change in market conditions or portfolio mix.

<sup>7</sup> Periods of low market volatility.

<sup>8</sup> Periods of medium market volatility.

<sup>9</sup> Periods of high market volatility.

# 20-year Returns Outlook

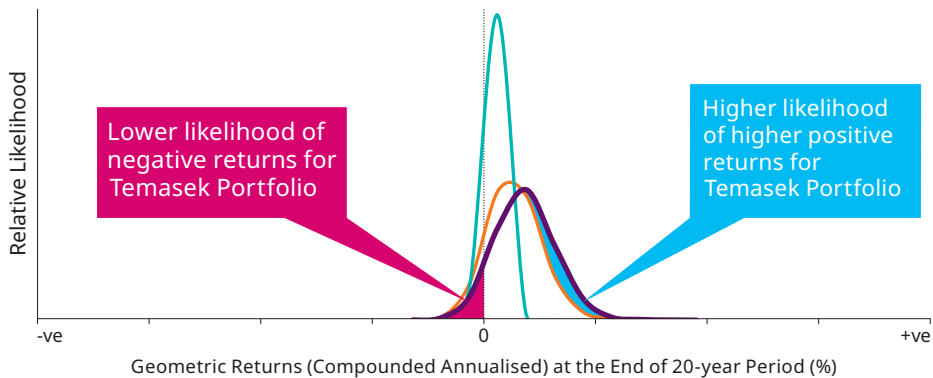
Our T-GEM, or Temasek Geometric Expected Return Model, simulates the range of possible returns for our portfolio over the next 20 years. These simulations are not meant to predict actual outcomes.

## 20-year Expected Returns for Different Portfolio Mix

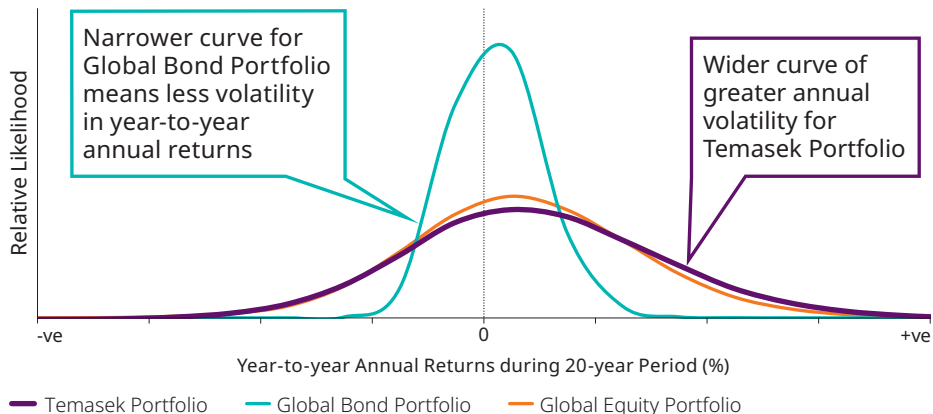
Under our Central Scenario, the Temasek Portfolio has the highest upside potential (see blue shaded), but also the highest volatility, versus a Global Equity or Global Bond Portfolio. The Global Bond Portfolio has the lowest upside potential and the least year-to-year volatility, as shown in the charts below.

(as at 31 March 2019)

### Likelihood of Geometric Returns (Compounded Annualised) at the End of 20-year Period, by Portfolio Mix



### Likelihood of Year-to-year Annual Returns during 20-year Period, by Portfolio Mix

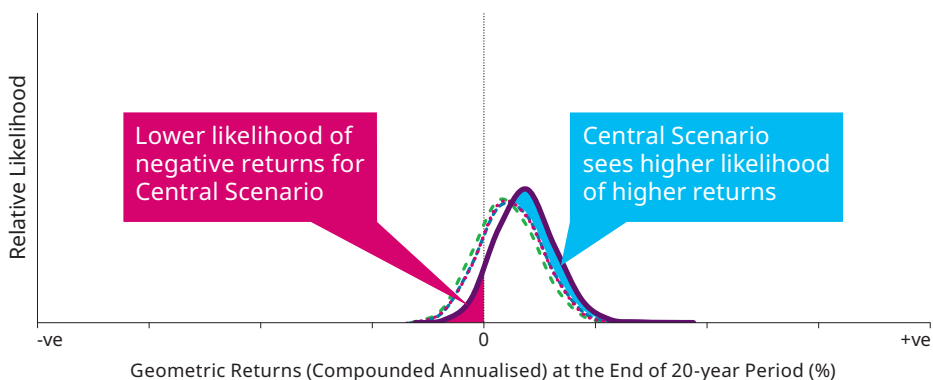


## 20-year Expected Returns for Various Temasek Scenarios

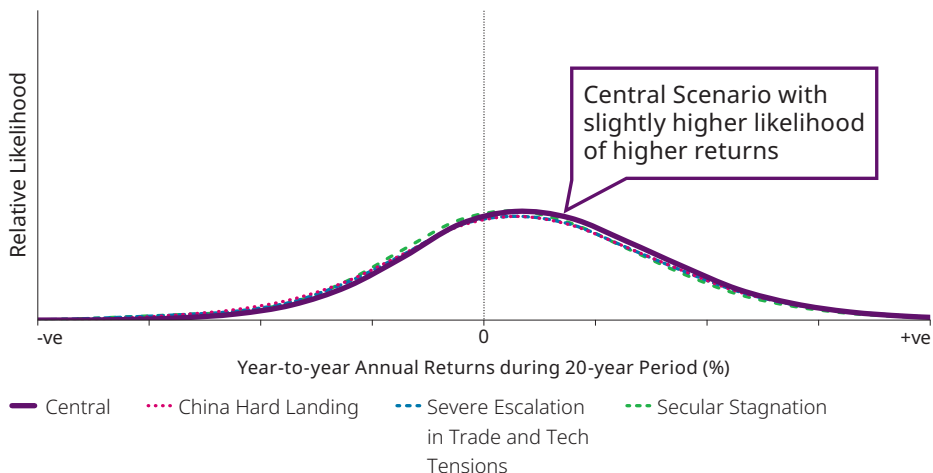
The Central Scenario offers the highest expected 20-year returns for the Temasek Portfolio, compared to those under three alternate scenarios of China Hard Landing, Severe Escalation in Trade and Tech Tensions, and Secular Stagnation.

(as at 31 March 2019)

### Likelihood of Geometric Returns (Compounded Annualised) at the End of 20-year Period, by Potential Scenario



### Likelihood of Year-to-year Annual Returns during 20-year Period, by Potential Scenario





# Public Markers

Our *Temasek Review*, Credit Profile and Temasek Bonds serve as public markers to anchor our commitment as a robust and disciplined institution through generations.

The *Temasek Review* is our annual scorecard to our stakeholders.

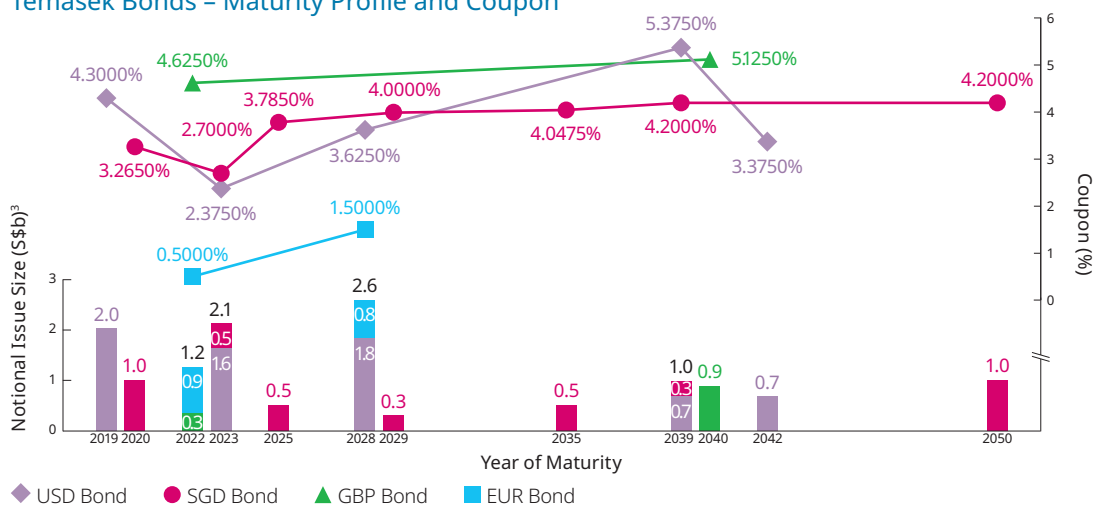
Our Credit Profile provides a snapshot of Temasek's key credit parameters<sup>1</sup> across three dimensions – leverage, interest coverage, and debt service coverage. Our Credit Profile reflects the fundamental strength of our financial position as an investment company. The credit ratios facilitate a quantitative assessment of Temasek's credit quality.


We have received the top ratings of Aaa/AAA by Moody's Investors Service and S&P Global Ratings respectively<sup>2</sup> since our inaugural ratings in 2004.

We issue Temasek Bonds and Euro-commercial Paper to retail, institutional, accredited and other specified investors as part of our financial discipline. The credit spreads in the market act like canaries in coal mines, to publicly signal market changes in Temasek's credit quality.

Our public markers instil financial discipline, broaden our stakeholder base, and facilitate our communications with the wider community.

## Temasek Bonds – Maturity Profile and Coupon



 Read more on Temasek's Credit Profile at [temasekreview.com.sg/credit](https://temasekreview.com.sg/credit) or scan the QR code

<sup>1</sup> Based on the financial information of Temasek as an investment company, namely Temasek Holdings (Private) Limited (THPL) and its Investment Holding Companies (IHCs). IHCs are defined as THPL's direct and indirect wholly owned subsidiaries, whose boards of directors or equivalent governing bodies comprise employees or nominees of THPL, wholly owned Temasek Pte. Ltd. (TPL), and/or TPL's wholly owned subsidiaries. The principal activities of THPL and its IHCs are that of investment holding, financing, and/or the provision of investment advisory and consultancy services.

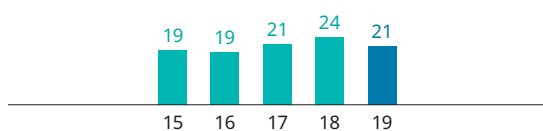
# Credit Quality

Temasek's Credit Profile provides a quantitative snapshot of our credit quality and the strength of our financial position<sup>1</sup>.

(for year ended 31 March)

Net Portfolio Value  
over Total Debt (x)

21x



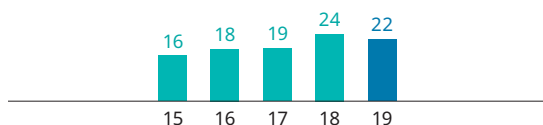
Liquid Assets<sup>4</sup>  
over Total Debt (x)

7x



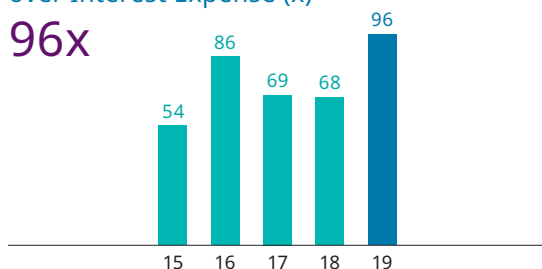
Dividend Income  
over Interest Expense (x)

22x



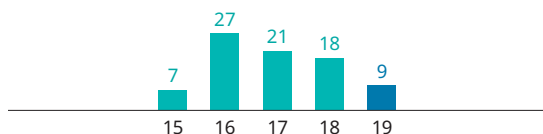
Recurring Income<sup>5</sup>  
over Interest Expense (x)

96x



Recurring Income<sup>5</sup>  
over Total Debt due in One Year (x)

9x



Liquidity Balance<sup>6</sup>  
over Total Debt due in next 10 Years (x)

4x



<sup>2</sup> From time to time, rating agencies may modify their rating criteria. Such criteria changes may lead to a revision in the rating assigned to an entity, sometimes even when the entity's financial position has not materially changed.

<sup>3</sup> Exchange rates as at 31 March 2019.

<sup>4</sup> Mainly cash and cash equivalents, and sub-20% listed assets.

<sup>5</sup> Divestments, dividend income, income from investments and interest income.

<sup>6</sup> Cash and cash equivalents, and short term investments.

# A Forward Looking Institution

The reputation and character of Temasek are shaped by our values and conduct as we strive to do right, as individuals and as a team.

Integrity and Respect for others form the foundation of our character. Meritocracy and Excellence are our guideposts to bring out the best in our people. Teamwork and Trust enable us to deliver with discipline and agility. These MERITT values shape our forward looking stance.

## Building a Better, Smarter, More Sustainable World

As a generational investor committed to delivering sustainable value over the long term, sustainability is at the core of everything we do.

As a responsible investor, we look for opportunities to invest in companies addressing global sustainability challenges and we incorporate environmental, social and governance considerations into our investment decision-making and management.

As an owner, we encourage our portfolio companies to adopt policies and practices that safeguard and enhance long term sustainability of their business and the wider community.

As an institution, we seek to build a sustainable organisation by developing people, capabilities and processes around sustainability and good governance.

As a steward, we establish partnerships and seed endowments to build resilience in our communities, and support the sharing of best practices and trends around sustainability and governance through platforms such as *Ecosperity* and thought leadership forums.

## Promoting Good Governance

We advocate good governance and uphold the Santiago Principles for sovereign investments. We supported the International Monetary Fund initiative to frame these principles in 2008.

## Our Board and Management

Chaired by Mr Lim Boon Heng, our Temasek Board and management ensure compliance with the rules and regulations wherever we have investments or operations.



Read the full description  
of our Board at  
[temasekreview.com.sg/board](https://temasekreview.com.sg/board)  
or scan the QR code



See the list of  
our senior team at  
[temasekreview.com.sg/team](https://temasekreview.com.sg/team)  
or scan the QR code

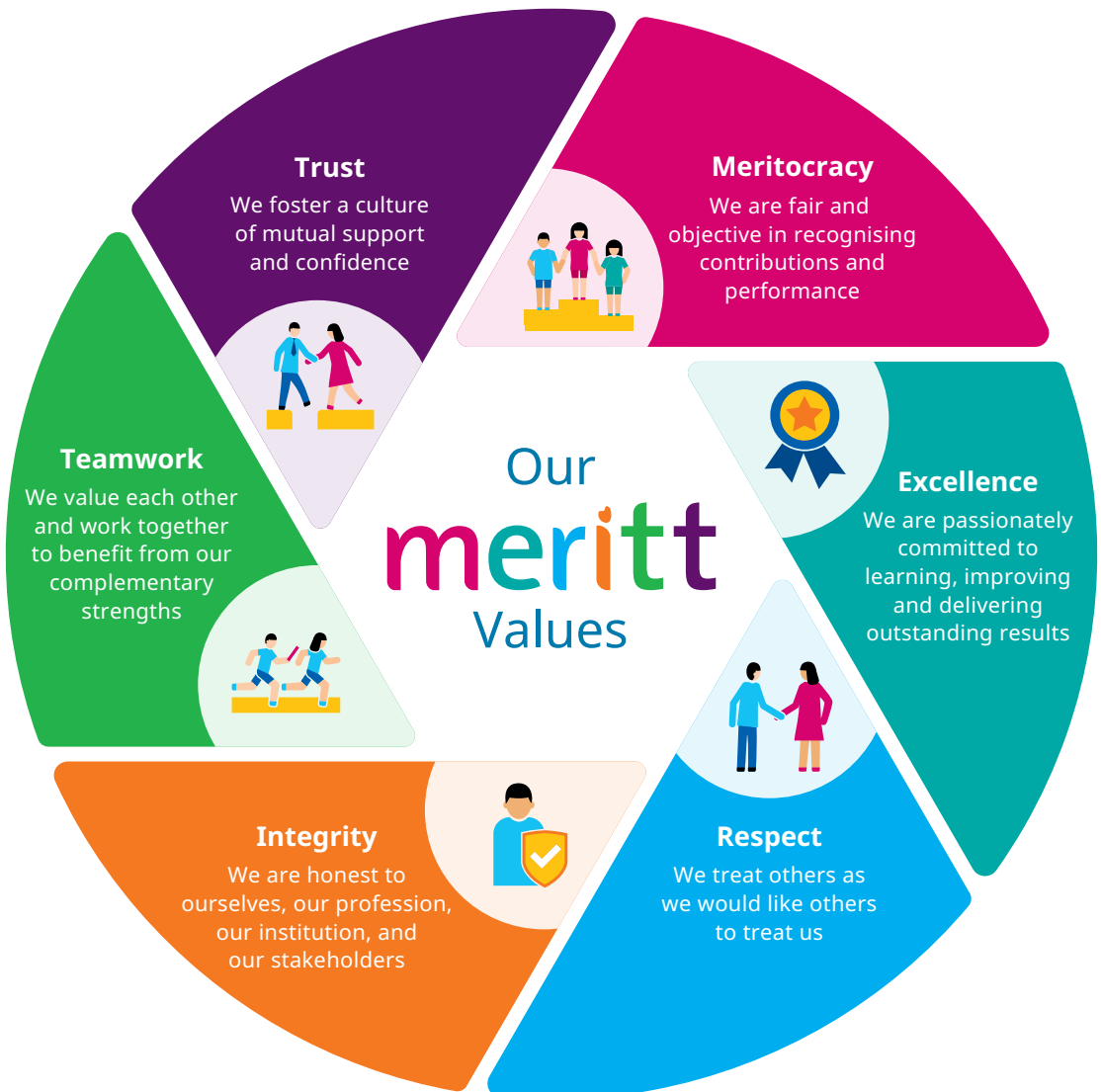


# Our People and Values

We are a team of 800 people, with some 30 diverse nationalities working across 11 offices, connected by our Temasek Heartbeat.

We are guided by our MERITT values and strive to do well, do right and do good. We are committed to developing and growing our people, to prepare them for the future.

Our people give back to their communities by taking part in activities organised by *T-Touch*, a volunteer initiative driven by our staff.



# Instilling Ownership

**Our ownership ethos puts the institution above the individual, emphasises long term over short term, and aligns employee and shareholder interests over economic cycles.**

Our compensation framework aims to foster a high performing and responsible culture where our employees think and act as owners, sharing gains and pains alongside our shareholder. It balances reward for short term performance and long term value creation.

Longer term incentives can be deferred up to 12 years, and are subject to market risks and clawbacks, to account for the sustainability of returns over market cycles.

Deferred incentives and clawbacks are integral to our remuneration. In the last decade, we had five clawback pools when Wealth Added (WA) for prior years was negative. Out of these five, there were four instances we had to carry forward clawback balances, when the deferred WA incentives were not enough to clear the clawback pools from prior years.

We share risks and rewards based on our returns. If our returns are negative, clawbacks will be triggered against bonuses deferred from prior years, and if needed, from future year bonuses too.

## Annual Cash Bonuses – Short Term Incentives

Annual cash bonuses are driven by company-wide, team and individual performance, and capped within budgeted limits.

## WA Bonus Bank – Medium Term Incentives

Returns above our risk-adjusted cost of capital will see WA bonuses added to individual notional WA bonus bank accounts, with payouts of one third for senior management and up to two thirds for junior staff. Retained balances are at risk of clawbacks in the future should returns be negative.

## Co-ownership Grants – Long Term Incentives

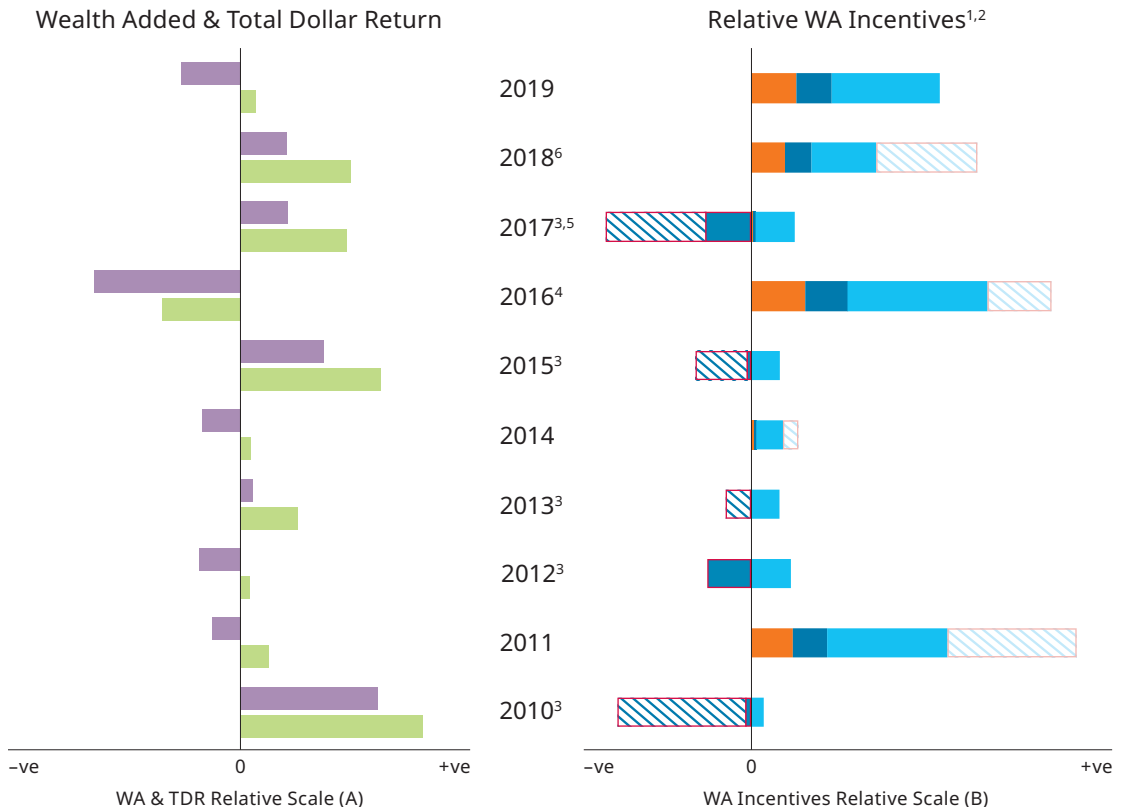
Co-investment grants may be awarded. These vest according to performance or time-based conditions, and lapse after 12 years.

## Co-ownership Alignment in Practice

For the year ended 31 March 2019, we will not have positive WA incentives to share. There will be no clawback on our employees' retained bank balances.

This framework for sharing gains and the associated risks and pains through market cycles has been tested, thereby reaffirming our ownership ethos.

## WA Incentives of Key Team



<sup>1</sup> WA incentives awarded in the year were for WA performance in the prior year.

<sup>2</sup> Relative WA incentives of key management team which includes CEOs, Presidents, Senior Managing Directors, Managing Directors, as well as management Directors.

<sup>3</sup> No new T-Scope pool was generated due to negative WA in the prior year.

<sup>4</sup> Excludes two tranches of deferred bonus from Alibaba's WA, to be allocated in years ending 31 March 2017 and 2018, subject to sustained performance.

<sup>5</sup> WA Bonus due to deferred bonus from Alibaba's WA allocated in the year ended 31 March 2017, post clawback for negative return on the investment.

<sup>6</sup> Includes WA Bonus due to deferred bonus from Alibaba's WA allocated in the year ended 31 March 2018.



# A Trusted Steward

**Temasek is an investor with an institutional conscience, and a duty towards present and future generations.**

Our Charter defines who we are and what we do as an investor, institution and steward.

We manage our portfolio as a long term investor and owner, under the guidance of our Board; and as a commercial company registered under the Singapore Companies Act.

We have an added responsibility under the Singapore Constitution to safeguard the past reserves<sup>1</sup> of our Company. Neither the President of Singapore<sup>2</sup> nor the Singapore Government is involved in our investment or business decisions, except in relation to the protection of our past reserves.

Temasek does not manage Singapore's Central Provident Fund savings nor the budget surpluses or foreign exchange reserves of Singapore.

## Relating to the President of Singapore

The Board and CEO of Temasek have a duty to seek the President's approval before any draw on our past reserves. There is no draw on our past reserves if our total reserves equal or exceed our past reserves. Mark to market declines on existing investments are not a draw on past reserves. We have a duty to ensure every disposal of investment is transacted at fair market value. A realised loss arising from such disposals is not a draw on past reserves.

## Relating to Our Shareholder

We declare dividends annually to our shareholder, based on our dividend policy. As a commercial investment company, we are the owner of our assets – we are not a fund manager on behalf of our shareholder.

## Relating to Our Portfolio Companies

Companies in our portfolio are guided and managed by their respective boards and management. Temasek does not direct their business decisions or operations. We expect companies to abide by sound corporate governance and codes of conduct and ethics.

## Relating to Our Communities

We gift endowments for our communities based on the twin pillars of sustainability and good governance. These support programmes that enable individuals, families and communities to have sustainable improvements and progress in their lives.

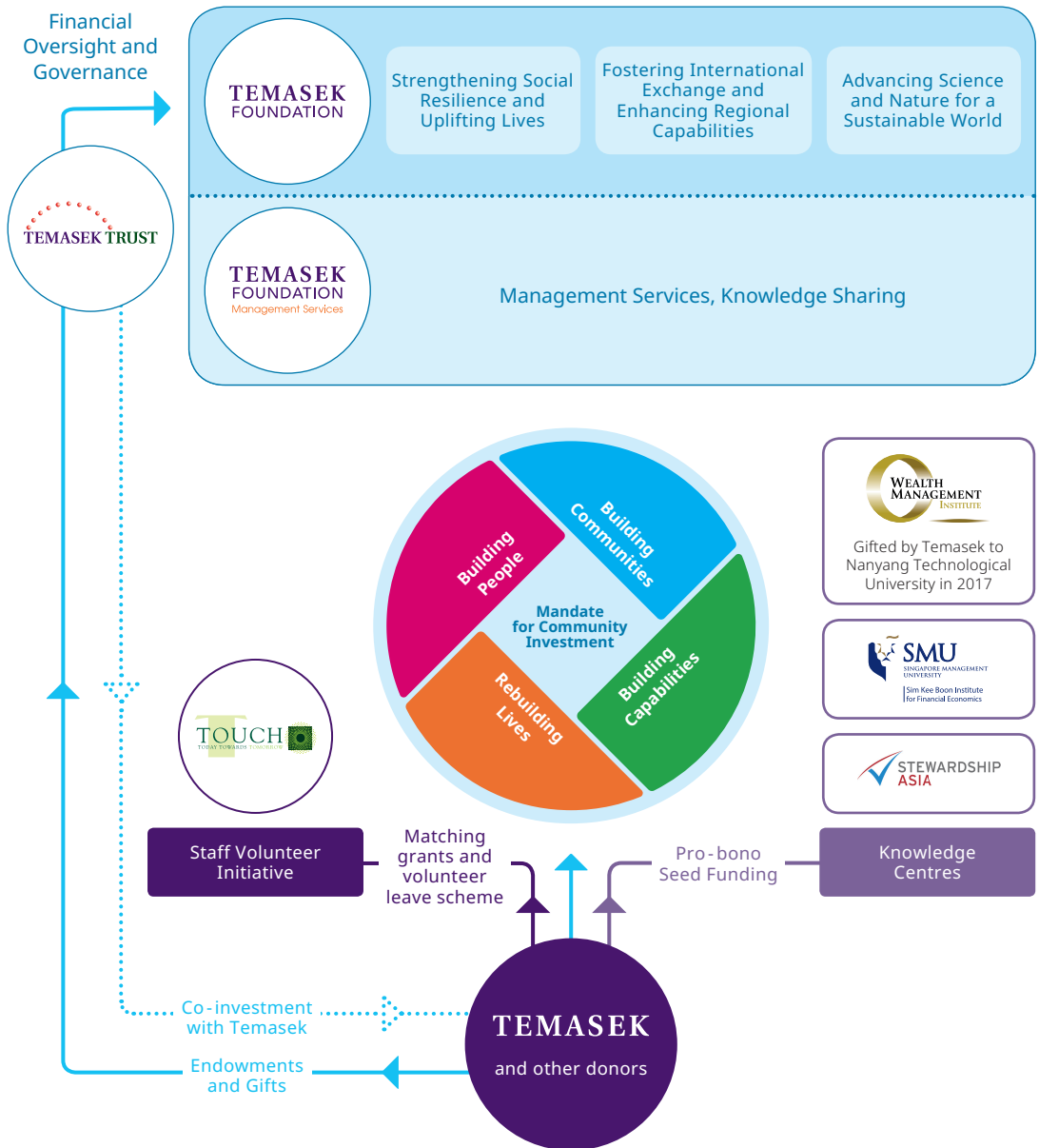
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<sup>1</sup> Under the Singapore Constitution, Temasek's past reserves are those accumulated by Temasek before the current term of Government.

<sup>2</sup> The Singapore President has an independent custodial role under the Singapore Constitution to safeguard the respective past reserves of the Singapore Government and the Fifth Schedule entities, including those of Temasek.

# Enabling a Better World

We have seeded diverse endowments to build people, build communities, build capabilities and rebuild lives, in Singapore, Asia and beyond.



See how we enable a better world at [temasekreview.com.sg/touchinglives](https://temasekreview.com.sg/touchinglives) or scan the QR code



# Sustaining Our Planet

Climate change is the most urgent and critical global issue of our time. We must act now, together, to sustain our planet for future generations.

The Earth is being pushed to the tipping point. Last year, the Intergovernmental Panel on Climate Change warned that we have barely 10 years to reverse the global carbon and greenhouse gas emissions or face catastrophic consequences sooner than we think.

Climate change is already bringing destructive hurricanes and weather extremes. Consequences include forest fires, floods, and crop damage. Lives are being lost, and livelihoods already impacted.

Governments, businesses, civil societies and individuals must work together to reverse the harm to our planet, and ultimately our people, lives, and livelihoods. We support the United Nations Sustainable Development Goals<sup>1</sup> (SDGs) as one framework for us to work towards a better and more sustainable world.

Since 2014, we have been promoting *Ecosperity* – the twinning of ecology and prosperity as a sustainable pathway for growth. Together now, we can achieve an *abc World* of **a**ctive and productive economies, **b**eautiful and inclusive societies, and a **c**lean, cool Earth.

We are alert to the issues of climate change, and address these in our investment theses. We share our perspectives with our portfolio companies and stakeholders.

## Catalysing Solutions

Temasek seeks to invest in companies and ideas that deliver better lives for more people. Solutions to overcome food, energy, waste and water challenges are key areas of focus.

## Engaging with our Partners

For our 6<sup>th</sup> *Ecosperity* event in 2019, over 3,000 global business leaders, policymakers, scientists and innovators participated, and focused on action to achieve a low carbon and resource efficient future. Discussions explored the themes of the circular economy, energy transition and water management.

Partner events included the World Bank Group's *Innovate4Climate*, Business China's *FutureChina Global Forum*, Temasek Foundation's *The Liveability Challenge*, and *Singapore International Water Week Spotlight*.

Our newly established *Ecosperity* Advisory Group taps on its members' expertise on wide-ranging sustainability issues, to help sharpen our institutional approach towards sustainability.

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<sup>1</sup> Visit [www.un.org/sustainabledevelopment/sustainable-development-goals/](http://www.un.org/sustainabledevelopment/sustainable-development-goals/) for more information on the SDGs.



**Productive jobs  
Sustainable cities  
Fulfilling lives**

An active, robust economy delivers good jobs and creates opportunities.



**Resilient individuals  
Inclusive communities  
Just societies**

A beautiful and inclusive society fosters peace and justice, and enables individuals to reach their fullest potential.



**Fresh air  
Clean water  
Cool world**

A clean, cool Earth is our home, a common space and heritage.



Find out more about  
our sustainability journey at  
[temasekreview.com.sg/sustainability](https://temasekreview.com.sg/sustainability)  
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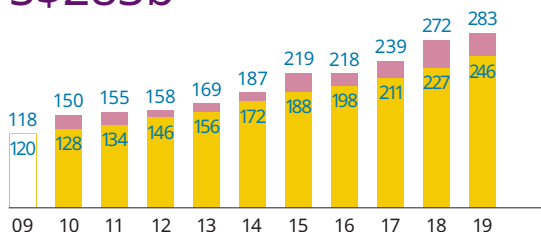
# Group Financial Highlights

Our group shareholder equity increased to S\$283 billion, including S\$37 billion of mark to market (MTM) gains of sub-20% investments. Group net profit was S\$12 billion.

(as at 31 March<sup>1</sup>)

## Group Shareholder Equity (S\$b)

**S\$283b**

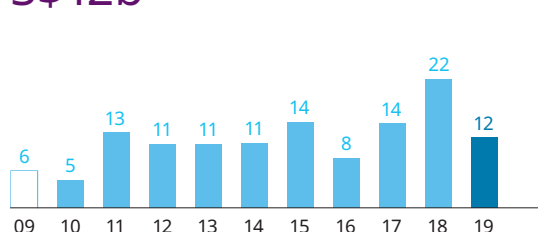


● Mark to market movement of sub-20% investments

● Shareholder equity excluding mark to market movement of sub-20% investments

## Group Net Profit (S\$b)

**S\$12b**



## Group Income Statements (in S\$ billion)

For year ended 31 March <sup>1</sup>	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue	76.7	83.5	83.5	94.3	92.4	101.6	101.5	97.0	107.4	114.6
<b>Group net profit</b>	<b>4.6</b>	<b>12.7</b>	<b>10.7</b>	<b>10.7</b>	<b>10.9</b>	<b>14.5</b>	<b>8.4</b>	<b>14.2</b>	<b>21.7</b>	<b>11.8</b>
Group net profit, including unrealised MTM losses of sub-20% investments <sup>2</sup>										11.8
Add: Unrealised MTM losses of sub-20% investments										1.0
<b>Group net profit, excluding unrealised MTM losses of sub-20% investments</b>	<b>4.6</b>	<b>12.7</b>	<b>10.7</b>	<b>10.7</b>	<b>10.9</b>	<b>14.5</b>	<b>8.4</b>	<b>14.2</b>	<b>21.7</b>	<b>12.8</b>

## Group Balance Sheets (in S\$ billion)

As at 31 March <sup>1</sup>	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total assets	284.8	297.9	302.6	341.5	344.0	405.8	415.8	447.6	490.6	509.0
<b>Shareholder equity</b>	<b>149.7</b>	<b>155.5</b>	<b>158.2</b>	<b>169.2</b>	<b>187.4</b>	<b>218.6</b>	<b>218.1</b>	<b>238.9</b>	<b>272.1</b>	<b>283.5</b>
Net debt <sup>3</sup>	17.8	9.5	16.1	19.6	9.0	32.6	44.4	39.3	49.7	51.9

<sup>1</sup> On 1 April 2018, the Group adopted International Financial Reporting Standards (IFRS) with retrospective application for the year ended 31 March 2018. Comparative financial statements for the years ended 31 March 2010 to 2017 were prepared based on Singapore Financial Reporting Standards.

<sup>2</sup> From the financial year ended 31 March 2019, IFRS 9 requires unrealised MTM gains or losses of sub-20% investments to be included in the Group net profit.

<sup>3</sup> Total debt less cash and cash equivalents.



# Contact Information

## Singapore

**Temasek Holdings (Private) Limited**  
**Temasek International Pte. Ltd.**

60B Orchard Road  
#06-18 Tower 2  
The Atrium@Orchard  
Singapore 238891

Tel: +65 6828 6828  
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or scan the QR code  
for our full contact information



● ● Temasek offices



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