

Principle

Implementation

B. Institutional framework and governance structure

6. The governance framework for the SWF should be sound and establish a clear and effective division of roles and responsibilities in order to facilitate accountability and operational independence in the management of the SWF to pursue its objectives.

The Investment Mandate from the Government to GIC sets out the terms of appointment, investment objectives, investment horizon, risk parameters and investment guidelines for managing the portfolio. The Government, which is represented by the Ministry of Finance in its dealings with GIC, neither directs nor interferes in GIC's investment decisions. It holds the GIC Board accountable for the overall portfolio performance.

GIC is accountable in various key areas to the President of Singapore as a Fifth Schedule company. The Constitution empowers him to obtain information to enable him to safeguard the country's reserves.

The Board is ultimately responsible for asset allocation and for the performance of the portfolio under management. It is accountable to the Government for the effective management of the reserves in accordance with the Investment Mandate.

Board committees oversee three critical areas: investment policy, risk and staff remuneration. External advisers with global experience in the investment industry serve on the investment and risk committees to provide external perspectives and ideas from their areas of expertise.

The Auditor-General, who is appointed by the President of Singapore, submits an annual report to the President and Parliament on his audit of the Government and other bodies managing public funds.

<http://www.gic.com.sg/about/corporate-governance/overview>

Principle	Implementation
<p>7. The owner should set the objectives of the SWF, appoint the members of its governing body(ies) in accordance with clearly defined procedures, and exercise oversight over the SWF's operations.</p>	<p>GIC's objectives are set out by the Government and are detailed in Principle 2 above. Representing the Government (who is also the fund owner), the Ministry of Finance appoints the members to the Board of Directors for a fixed term which is renewable. In addition, no one may be appointed to or removed from the GIC Board without the concurrence of the President of Singapore, who is independent of the Government and must not be a member of any political party. This provides an additional layer of oversight.</p> <p>http://www.gic.com.sg/newsroom/reports</p>
<p>8. The governing body(ies) should act in the best interests of the SWF, and have a clear mandate and adequate authority and competency to carry out its functions.</p>	<p>The Board is accountable to the Government for the effective management of the reserves in accordance with the Investment Mandate. As mentioned in Principle 6, the President's concurrence is required for the appointment, renewal or removal of board members from the GIC Board. This ensures that GIC appoints only people of integrity who are competent and can be trusted to safeguard these assets. In addition, external advisers with global experience in the investment industry also serve on the Board's investment strategies committee and risk committee to provide external perspectives and ideas from their areas of expertise.</p> <p>http://www.gic.com.sg/newsroom/reports</p>
<p>9. The operational management of the SWF should implement the SWF's strategies in an independent manner and in accordance with clearly defined responsibilities.</p>	<p>The Government, which is represented by the Ministry of Finance in its dealings with GIC, neither directs nor interferes in GIC's investment decisions. It holds the GIC Board accountable for the overall portfolio performance. The management executes investment strategies, is responsible for all investment transactions and reports regularly to the Board and the Government.</p> <p>http://www.gic.com.sg/about/corporate-governance/overview</p>
<p>10. The accountability framework for the SWF's operations should be clearly defined in the relevant legislation, charter, other constitutive documents, or management agreement.</p>	<p>GIC's accountability framework is defined in our Investment Mandate, the Constitution of Singapore, and the Singapore Companies Act.</p> <p>The Investment Mandate from the Government to GIC sets out the terms of appointment, investment objectives, investment horizon, risk parameters and investment guidelines for managing the portfolio.</p>

Principle	Implementation
	<p>GIC is accountable in various key areas to the President of Singapore as a Fifth Schedule company. The Constitution empowers him to obtain information to enable him to safeguard the country's reserves.</p> <p>GIC was incorporated in 1981 under the Singapore Companies Act. The Companies Act and GIC's Memorandum and Articles of Association state how the board of GIC is to be set up, and other matters pertaining to the governance of GIC and the board members. The Memorandum and Articles of Association are legal documents which all companies incorporated under the Companies Act must have.</p> <p>http://www.gic.com.sg/about/corporate-governance/overview http://statutes.agc.gov.sg/</p>
<p>11. An annual report and accompanying financial statements on the SWF's operations and performance should be prepared in a timely fashion and in accordance with recognized international or national accounting standards in a consistent manner.</p>	<p>GIC provides monthly and quarterly reports to the Accountant-General within the Ministry Of Finance. These reports list the investment transactions executed, as well as the holdings, bank accounts and balances. The reports provide detailed performance and risk analytics as well as the distribution of the portfolio by asset class, country and currency. Once a year, the management meets the Minister for Finance and his officials formally to report on the risk and performance of the portfolio in the preceding financial year.</p> <p>GIC's first annual report on the management of the Government's portfolio was published in September 2008. From 2011, the report for the prior financial year, is available in July.</p> <p>http://www.gic.com.sg/newsroom/reports</p>
<p>12. The SWF's operations and financial statements should be audited annually in accordance with recognized international or national auditing standards in a consistent manner.</p>	<p>The main companies in the GIC group and the Government's portfolio managed by GIC are independently audited by the Auditor-General, in addition to being audited by GIC's internal audit department. Other companies in the group and the investment holding companies are audited by public accounting firms.</p> <p>The Auditor-General submits an annual report to the President and Parliament on his audit of the Government and other bodies managing public funds.</p> <p>To safeguard the independence of the Auditor-General, he is appointed by the President</p>

Principle	Implementation
	<p>and not by the Government whose accounts are subject to his audit. There are also provisions in the Constitution of the Republic of Singapore to ensure that his remuneration cannot be reduced and to protect him from being removed except based on adjudication by an independent panel. This is to ensure that he is able to audit without fear or favour.</p> <p>http://www.gic.com.sg/newsroom/reports http://statutes.agc.gov.sg/</p>
<p>13. Professional and ethical standards should be clearly defined and made known to the members of the SWF's governing body(ies), management, and staff.</p>	<p>We require our staff to observe GIC's code of ethics, maintain exemplary conduct, and comply with laws and regulations, including prohibitions against insider trading and other unlawful market conduct. These are among the guidelines set out in our compliance manual maintained by the legal and compliance department. Staff must protect confidential information and handle material non-public information with due care. The manual also states policies relating to the management of conflicts of interest, gifts and entertainment, copyright rules, personal investments and whistle-blowing. We provide regular training to all staff to keep them current with compliance requirements.</p> <p>http://www.gic.com.sg/newsroom/reports</p>
<p>14. Dealing with third parties for the purpose of the SWF's operational management should be based on economic and financial grounds, and follow clear rules and procedures.</p>	<p>External managers are chosen for their ability to exploit investment opportunities beyond GIC's current skill sets and to complement our internal management capability.</p> <p>Requests for proposals and assessment of the proposals are done in a fair manner and follow internal operating policies and procedures.</p> <p>http://www.gic.com.sg/newsroom/reports</p>
<p>15. SWF operations and activities in host countries should be conducted in compliance with all applicable regulatory and disclosure requirements of the countries in which they operate.</p>	<p>GIC complies with the appropriate regulatory and disclosure requirements in the countries in which we invest. Investment and operations teams also work closely with the legal and compliance department to manage legal and regulatory compliance risks arising from the group's investment activities.</p> <p>http://www.gic.com.sg/newsroom/reports</p>
<p>16. The governance framework and objectives,</p>	<p>The GIC annual report and GIC's website disclose the governance framework of GIC, and</p>

Principle	Implementation
<p>as well as the manner in which the SWF's management is operationally independent from the owner, should be publicly disclosed.</p>	<p>the investment objectives of the fund and how GIC is operationally independent from the owner.</p> <p>http://www.gic.com.sg/about/corporate-governance/overview</p>
<p>17. Relevant financial information regarding the SWF should be publicly disclosed to demonstrate its economic and financial orientation, so as to contribute to stability in international financial markets and enhance trust in recipient countries.</p>	<p>The GIC annual report is published via the website, to give the international community a better appreciation of the context and circumstances in which GIC operates, and to assure that GIC invests only to achieve financial returns sustainably.</p> <p>GIC discloses relevant information to demonstrate its economic and financial orientation. The GIC annual report describes GIC's investment objectives, legal and corporate governance framework, investment approach, as well as risk management framework.</p> <p>GIC has taken further steps in the direction of increased transparency over the years. Beginning with this year, GIC publishes the nominal returns and annualized volatility of these returns over 5-year, 10-year and 20-year horizons, in addition to the 20-year real return disclosed since 2008.</p> <p>http://www.gic.com.sg/newsroom/reports</p>