

IMPLEMENTATION OF THE SANTIAGO PRINCIPLES

GIC was a key participant in the development of the policy principles for Sovereign Wealth Funds (SWFs) and countries receiving SWF investments, to address protectionist fears and maintain an open and stable investment climate. These policy principles, announced in March 2008, contributed towards the development of the Santiago Principles which are a voluntary set of principles and practices developed by the International Working Group (IWG) of Sovereign Wealth Funds (SWFs) in October 2008.

The Principles have now been in place since 2008. SWFs are encouraged to assess their adoption of the Principles and report on how they have implemented them.

GIC's implementation of these Principles can be grouped into the following three key areas:

A. Legal Framework, Objectives, and Coordination with Macroeconomic Policies

Guiding Philosophy

Sound practices and principles in this area underpin a robust institutional framework and governance structure of the SWF, and facilitate formulation of appropriate investment strategies consistent with the SWF's stated policy objectives.

GIC's Implementation

GIC's legal framework is set out in the Singapore Companies Act, and our legal relationship with the Government is explained in our Annual Reports as well as our website. GIC's objectives are clearly spelt out in line with our responsibility to preserve and enhance the international purchasing power of Singapore's foreign reserves. As GIC primarily invests outside of Singapore, the principle of domestic macroeconomic policy coordination does not apply to us.

B. Institutional Framework and Governance Structure

Guiding Philosophy

A sound governance structure that separates the functions of the owner, governing body(ies), and management facilitates operational independence in the management of the SWF to pursue investment decisions and investment operations free of political influence.

GIC's Implementation

The Investment Mandate from the Government to GIC clearly defines GIC's 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. The management executes investment strategies, is responsible for all investment transactions, and reports regularly to the Board and the Government. GIC is also accountable in various key areas to the President of Singapore as a Fifth Schedule company. The role of the President of Singapore in safeguarding reserves is further elaborated in the reserves management framework on MOF's website: <https://www.mof.gov.sg/policies/our-nation's-reserves>

C. Investment and Risk Management Framework

Guiding Philosophy

A clear investment policy shows an SWF's commitment to a disciplined investment plan and practices, while a reliable risk management framework promotes the soundness of the SWF's investment operations and accountability.

GIC's Implementation

GIC is committed to a disciplined investment plan and practices, anchored in our policy portfolio which defines our strategic asset allocation to meet our investment return objective within risk parameters determined by the Government as owner of the funds.

Identifying and managing risk is a clear and integral part of management responsibility at all levels in GIC. Our approach to risk management is three-pronged: managing portfolio risk to ensure appropriate and efficient risk-taking; managing process risk so that investment decisions are implemented well and managing people risk.

A detailed overview of GIC's implementation of the specific principles is presented in the table below.

PRINCIPLE	IMPLEMENTATION
A. Legal Framework, Objectives, and Coordination with Macroeconomic Policies	
<p>1. The legal framework for the SWF should be sound and support its effective operation and the achievement of its stated objective(s).</p> <p>1.1. The legal framework for the SWF should ensure legal soundness of the SWF and its transactions.</p> <p>1.2. The key features of the SWF's legal basis and structure, as well as the legal relationship between the SWF and other state bodies, should be publicly disclosed.</p>	<p>GIC's legal framework is detailed in the Singapore Companies Act, under which GIC was incorporated in 1981. GIC is wholly owned by the Government of Singapore. An 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> <p>The Singapore Companies Act is available at https://sso.agc.gov.sg/</p> <p>GIC's legal relationship with the Government of Singapore is disclosed on our website and in our Annual Reports: http://www.gic.com.sg/reports</p>
<p>2. The policy purpose of the SWF should be clearly defined and publicly disclosed.</p>	<p>GIC's purpose is clearly defined; we aim to achieve good long-term returns for the Government – a reasonable risk-adjusted rate above global inflation over a 20-year investment horizon. By achieving these returns, we fulfil our responsibility to preserve and enhance the international purchasing power of Singapore's foreign reserves. The reserves provide a stream of income that can be spent or invested for the benefit of present and future generations.</p> <p>GIC's policy purpose is publicly available at:</p> <ul style="list-style-type: none"> ♦ http://www.gic.com.sg/about-gic/purpose-of-funds ♦ https://www.mof.gov.sg/policies/our-nation's-reserves
<p>3. Where the SWF's activities have significant direct domestic macroeconomic implications, those activities should be closely coordinated with the domestic fiscal and monetary authorities, so as to</p>	<p>As a rule, GIC invests outside Singapore, in line with our mission to preserve and enhance the international purchasing power of these reserves. Hence, this principle does not apply to GIC.</p> <ul style="list-style-type: none"> ♦ http://www.gic.com.sg/news-and-insights/

PRINCIPLE	IMPLEMENTATION
<p>ensure consistency with the overall macroeconomic policies.</p>	
<p>4. There should be clear and publicly disclosed policies, rules, procedures, or arrangements in relation to the SWF's general approach to funding, withdrawal, and spending operations.</p> <p>4.1. The source of SWF funding should be publicly disclosed.</p> <p>4.2. The general approach to withdrawals from the SWF and spending on behalf of the government should be publicly disclosed.</p>	<p>GIC's source of funds is disclosed on our website and in our Annual Report.</p> <p>The sources of the Government's assets, as stated by the MOF, include proceeds from issuance of Government debt, Government surpluses and proceeds from the Government's land sales.</p> <p>The Constitution of Singapore stipulates a spending rule that determines how much of the investment returns on its reserves the Government can spend. The spending rule allows up to 50% of the long-term expected real return on the reserves managed by GIC and those owned by the Monetary Authority of Singapore, to be taken into the Government's annual budget.</p> <ul style="list-style-type: none"> ♦ https://sso.agc.gov.sg/ ♦ https://www.gic.com.sg/news-and-resources/ ♦ https://www.mof.gov.sg/policies/our-nation's-reserves
<p>5. The relevant statistical data pertaining to the SWF should be reported on a timely basis to the owner, or as otherwise required, for inclusion where appropriate in macroeconomic data sets.</p>	<p>GIC provides monthly and quarterly reports to the Accountant-General Department within the Ministry Of Finance. These reports list the financial transactions executed, as well as the holdings, and bank account balances. The reports provide detailed performance and risk analytics as well as the distribution of the portfolio by asset class, country and currency.</p>

PRINCIPLE	IMPLEMENTATION
B. Institutional framework and governance structure	
<p>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.</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. 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.</p> <p>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 critical areas: on investment policy, risk, audit and human resources. 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.</p> <p>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.</p> <p>♦ http://www.gic.com.sg/about-gic/governance</p>
<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/about-gic/governance</p>
<p>8. The governing body(ies) should act in the best interests of the SWF, and have a clear</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</p>

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<p>mandate and adequate authority and competency to carry out its functions.</p>	<p>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> <ul style="list-style-type: none"> ♦ http://www.gic.com.sg/about-gic/governance
<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> <ul style="list-style-type: none"> ♦ http://www.gic.com.sg/about-gic/governance
<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> <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> <ul style="list-style-type: none"> ♦ http://www.gic.com.sg/about-gic/governance ♦ https://sso.agc.gov.sg/

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<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 financial transactions executed, as well as the holdings and bank accounts 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/ August.</p> <ul style="list-style-type: none"> ◆ https://www.gic.com.sg/news-and-resources/
<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 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> <ul style="list-style-type: none"> ◆ https://www.gic.com.sg/news-and-resources/ ◆ https://sso.agc.gov.sg/
<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.</p>

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	<p>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>♦ https://www.gic.com.sg/news-and-resources/</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>♦ https://www.gic.com.sg/news-and-resources/</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>♦ https://www.gic.com.sg/news-and-resources/</p>
<p>16. The governance framework and objectives, as well as the manner in which the SWF's management is operationally independent from the owner, should be publicly disclosed.</p>	<p>The GIC annual report and GIC's website disclose the governance framework of GIC, and the investment objectives of the fund and how GIC is operationally independent from the owner.</p> <p>♦ http://www.gic.com.sg/about-gic/governance</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>

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GIC has taken further steps in the direction of increased transparency over the years. Beginning in 2011, 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.

- ♦ <https://www.gic.com.sg/news-and-resources/>

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C. Investment and risk management framework	
<p>18. The SWF's investment policy should be clear and consistent with its defined objectives, risk tolerance, and investment strategy, as set by the owner or the governing body(ies), and be based on sound portfolio management principles.</p> <p>18.1. The investment policy should guide the SWF's financial risk exposures and the possible use of leverage.</p> <p>18.2. The investment policy should address the extent to which internal and/or external investment managers are used, the range of their activities and authority, and the process by which they are selected and their performance monitored.</p> <p>18.3. A description of the investment policy of the SWF should be publicly disclosed.</p>	<p>GIC's investment policy and activities are anchored by the policy portfolio. It defines the asset classes that GIC invests in, and how it allocates funds to these asset classes. The purpose is to meet the investment return objective within the risk tolerance determined by the Government as owner of the funds.</p> <p>Investment decisions comply with prescribed guidelines and limits to ensure that they keep within the Investment Mandate from the Government. At all levels of investment decision-making, the risks taken by our portfolio managers and their investment results are constantly monitored. Clear mandates are provided to internal and external managers, stating the range of their activities and authority. In addition, the independent risk and performance management department regularly monitors the portfolio's performance, risk and asset exposures against the approved thresholds and limits.</p> <p>Allocation between internal and external managers is based on the principle of best sourcing. These managers are selected for their ability to exploit investment opportunities beyond GIC's current skill set and to complement GIC's internal management capability.</p> <p>♦ https://www.gic.com.sg/news-and-resources/</p>
<p>19. The SWF's investment decisions should aim to maximize risk-adjusted financial returns in a manner consistent with its investment policy, and based on economic and financial grounds.</p> <p>19.1. If investment decisions are subject to other than economic and</p>	<p>GIC does not invest other than for economic and financial considerations.</p>

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<p>financial considerations, these should be clearly set out in the investment policy and be publicly disclosed.</p> <p>19.2. The management of an SWF's assets should be consistent with what is generally accepted as sound asset management principles.</p>	
<p>20. The SWF should not seek or take advantage of privileged information or inappropriate influence by the broader government in competing with private entities.</p>	<p>GIC does not have, nor does it seek, access to privileged information or inappropriate influence through the Government.</p> <p>The Government neither directs nor interferes in GIC's investment decisions. GIC's compliance manual for staff further provides a framework to prevent access to and use of privileged information.</p>
<p>21. SWFs view shareholder ownership rights as a fundamental element of their equity investments' value. If an SWF chooses to exercise its ownership rights, it should do so in a manner that is consistent with its investment policy and protects the financial value of its investments. The SWF should publicly disclose its general approach to voting securities of listed entities, including the key factors guiding its exercise of ownership rights.</p>	<p>Consistent with our portfolio management approach, GIC will exercise ownership rights in our investments, where appropriate, to protect the financial interests of the assets under our management. Our general approach to the exercise of our ownership rights is guided by financial considerations.</p>
<p>22. The SWF should have a framework that identifies, assesses, and manages the risks of its operations.</p> <p>22.1. The risk management framework should include reliable information</p>	<p>Identifying and managing risk is a clear and integral part of management responsibility at all levels in GIC. The risk management framework sets the accountability and responsibility parameters for risk-taking. In addition to the Board and its risk committee, different bodies and groups are specifically charged with the task of identifying, analysing, monitoring, reporting and on-the-ground managing of risks.</p>

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<p>and timely reporting systems, which should enable the adequate monitoring and management of relevant risks within acceptable parameters and levels, control and incentive mechanisms, codes of conduct, business continuity planning, and an independent audit function.</p> <p>22.2. The general approach to the SWF's risk management framework should be publicly disclosed.</p>	<p>Our approach to risk management is three-pronged: managing portfolio risk to ensure appropriate and efficient risk-taking; managing process risk so that investment decisions are implemented well; and managing people risk.</p> <ul style="list-style-type: none"> ♦ https://www.gic.com.sg/news-and-resources/
<p>23. The assets and investment performance (absolute and relative to benchmarks, if any) of the SWF should be measured and reported to the owner according to clearly defined principles or standards.</p>	<p>Our assets and investment performance (absolute, and relative to benchmarks if any) are measured and reported to the owner according to clearly defined principles or standards</p> <ul style="list-style-type: none"> ♦ https://www.gic.com.sg/news-and-resources/
<p>24. A process of regular review of the implementation of the GAPP should be engaged in by or on behalf of the SWF.</p>	<p>GIC regularly reviews our implementation of the GAPP, and we have published our assessment in this report.</p>