



# Blue Dot's Asset Owner Series

## Spotlight: Temasek

November 2024

Future-proofing investment decisions™



- Overview
- Leadership Statement
- Sustainability Strategy
- Expectations of External Managers
- Climate Action
- Driving Partnerships for Change
- Impact Investing
- Industry Engagement
- Recent News

## About

Temasek is a global investment company headquartered in Singapore with 13 offices across 9 countries. **The firm's portfolio value amounted to S\$389 billion as of March 31, 2024.**<sup>1</sup> Temasek was incorporated under the Singapore Companies Act in 1974 to own and commercially manage investments and assets previously held by the Singapore Government.<sup>2</sup>

## Allocation

Temasek's portfolio comprises both listed and unlisted assets, including its investments in funds. The unlisted portfolio has grown steadily over the years as it invested in attractive opportunities in the private markets and benefitted from the increase in the value of its unlisted assets. As of 31 March 2024, 48% of the firm's portfolio was in liquid and listed assets, and **52% was in unlisted assets and funds. Investments in private equity and credit funds represented 20% of its unlisted portfolio.**<sup>3</sup>

Temasek's investment activities are aligned to four structural trends that shape its long-term portfolio construction: Digitization, Sustainable Living, Future of Consumption, and Longer Lifespans. The firm expects to increase its investments that are aligned with the Sustainable Living trend, investing in companies whose products and services seek to fulfil environmental and social objectives, as well as those that will benefit from sustainability tailwinds. As of 31 March 2024, **the firm's portfolio value of investments aligned with the Sustainable Living trend was S\$44 billion, of which S\$38 billion was sustainability-focused investments and S\$6 billion was climate transition investments.**<sup>4</sup>

“

As an asset owner, our long-term success hinges upon a thriving and resilient portfolio. Therefore, we view our efforts on sustainability **not only as the right thing to do, but also as an essential enabler for our mandate to deliver sustainable returns over the long term**, in line with our charter. The transition to a sustainable economy presents us with new opportunities to invest for returns and impact. We make use of our flexibility to deploy capital across different opportunities – be it in sustainable solutions, in the transition of sectors from brown to green, or in the enablement of new markets such as carbon markets. At the same time, climate change, nature loss, social inequalities, and regulatory shifts also present us with new risks. By integrating ESG factors into our investment decisions, we proactively identify and manage risks that could impact the value of our portfolio.<sup>4</sup>

*Dilhan Pillay Sandrasegara; Executive Director & Chief Executive Officer; July 2024*

”

In 2019, Temasek published its T2030 strategy — a 10-year roadmap to guide its strategic planning, capability building, and institutional development initiatives. Sustainability at the Core is a key pillar of the strategy.<sup>3</sup>



Temasek prioritizes five key levers for change as part of its sustainability strategy:

1. **Deploying capital** to catalyze solutions that can enable companies to transition to a more sustainable future and continuously increase its investments that are aligned to the Sustainable Living trend.
2. **Embedding an ESG framework** throughout the investment lifecycle to systematically evaluate sustainability-related risks and opportunities.
3. **Engaging portfolio companies** to drive ESG value creation and support their transition towards a more sustainable future.
4. **“Walking the talk”** by implementing sustainable practices and developing a company culture that embraces sustainability.
5. **Seeking out opportunities for collaboration** with like-minded partners to contribute to the systemic changes required to solve sustainability challenges.<sup>4</sup>

# Expectations of External Managers

Investments in private equity and credit funds represent 20% of Temasek's unlisted portfolio. The firm extends its ESG philosophy to these investments.

In assessing external fund managers, Temasek **evaluates their ESG approach from an investment lifecycle perspective** to understand their:

- ESG commitment
- Due diligence
- Stewardship practices
- Reporting to investors on ESG

In line with its own climate commitment, Temasek seeks to understand how they manage climate-related risks and opportunities, referencing leading international frameworks.

On an ongoing basis, Temasek engages in conversations with these managers to foster mutual learning and best practice sharing. Temasek **expects the external managers to adopt a mindset of continuous improvement and to strive to apply best industry practices in managing material ESG issues for their portfolios.** Temasek monitors the ESG practices of its key external managers through an annual ESG survey, where they share their latest ESG initiatives and plans going forward for the core assessment areas described above.

Temasek also has deeper and more regular engagements with external managers for which it has active investment positions in the fund management company, beyond just fund investments.<sup>4</sup>

In 2020, Temasek announced its climate targets to **reduce the net carbon emissions attributable to its portfolio to half the 2010 levels by 2030**, as it aims for **net zero portfolio emissions by 2050**.<sup>4</sup>

Temasek remains focused on three pathways for climate action:

## 1 Investing for a Low-Carbon Economy

Temasek focuses on solutions that seek to **accelerate energy transition and decarbonization** across key sectors, be it through the advancement of hydrogen technologies, energy-efficient solutions, or alternative production processes in hard-to-abate sectors.

Temasek's proprietary framework identifies sustainability-focused investments in businesses with products and services that contribute positively towards its long-term vision of net zero, nature-positive, and inclusive growth, including climate transition investments in high-emitting sectors that are looking to transition to products and services that contribute positively to climate objectives.<sup>4</sup>

## 2 Encouraging Decarbonization Efforts in Portfolio Companies

Temasek's ESG framework **mandates climate analysis for all new investments** that are evaluated by the relevant investment committees, examining the following issues:

- Potential portfolio company's contribution to climate change through its carbon footprint
- Effects of climate change on the company's operations or commercial prospects, arising from physical and transition risks
- Any potential new opportunities arising from technology innovations, government regulations, as well as evolving customer needs<sup>5</sup>

## 2 Encouraging Decarbonization Efforts in Portfolio Companies (Continued)

As part of its transition risk analysis, Temasek considers how the prospective portfolio company might be impacted by policy, legal, technology, and market changes associated with the transition to a low-carbon economy, considering the product portfolio and the company's strategic positioning. An **internal carbon price (ICP) of US\$65 per tonne of carbon dioxide equivalent (tCO<sub>2</sub>e)** is applied to each investment to better assess the potential climate transition impact.<sup>5</sup>

Post-investment, Temasek leverages a Climate Transition Readiness Framework to engage major portfolio companies on their **climate transition plans and decarbonization journeys**.<sup>4</sup>

## 3 Enabling Carbon Markets Solutions

Temasek continues to explore approaches that **support decarbonization while conserving or restoring natural systems**. It views voluntary carbon markets as an important lever in enabling nature-based and technology-based solutions. Through its investment platform GenZero, the firm continues to invest in strengthening the carbon markets infrastructure and ecosystem.<sup>6</sup>

# Driving Partnerships for Change

Temasek has stepped up efforts through its strategic partnerships and platforms to accelerate industry transitions, further diversify and augment the financing toolbox, and grow the green economy.<sup>6</sup>

In 2022, Temasek founded **GenZero**, an investment platform to accelerate decarbonization globally. GenZero has built up a diversified portfolio by actively deploying capital across three core focus areas: nature-based solutions, technology-based solutions, and carbon ecosystem enablers.<sup>7</sup>

In 2022, Temasek established **Pentagreen Capital** alongside HSBC to unlock marginally bankable projects for sustainable infrastructure, using blended finance at scale. Pentagreen's primary sector focus is renewable energy and energy storage, clean transport, and water and waste management sectors.<sup>8</sup>

In 2021, Temasek partnered with BlackRock to establish **Decarbonization Partners**, which invests in late-stage venture capital and early-stage growth equity companies targeting de-risked technologies across clean energy, electrification, green materials, and a circular, digital economy.<sup>9</sup> In April 2024, Decarbonization Partners raised \$1.4 billion.<sup>10</sup>

Temasek established a dedicated Impact Investing team in 2021 with a **mandate to generate positive impact for underserved communities in emerging markets in Africa, Asia, and Latin America, whilst also achieving sustainable returns over the long term.**<sup>4</sup>

"The world is facing pressing social and environmental challenges and impact investing has the potential to unlock capital to address such challenges. We will invest in leading impact fund managers with a strong sense of purpose and proven track record to support businesses that positively contribute to people and planet."

*- Benoit Valentin; Head, Impact Investing; July 2024*

Temasek's investments in impact funds and businesses aim to address basic needs, improve livelihoods, and build resilience of underserved communities. As of March 31, 2024, the firm committed to the LeapFrog Climate Fund and ABC Impact's Fund II. It also invested in other impact funds managed by Elevar Equity, Quona Capital, and AXA IM Alternatives. Temasek's impact investing strategy comprises three core pillars:<sup>4</sup>

Deepen strategic partnerships  
with ABC Impact and  
LeapFrog Investments

Build a diversified portfolio  
of impact funds with  
complementary strategies

Advance direct and  
co-investments to  
deepen impact

Temasek's proprietary Impact Measurement and Management framework is used to assess all potential impact investments. The framework guides its decision-making process and enables the firm to measure impact in a systematic way. Post-investment, the firm works with its impact investees to establish a set of metrics tied to the specific impact outcomes they aim to achieve.<sup>4</sup>

## Partnerships<sup>4</sup>

---

**Investor Advisory Group of the  
International Sustainability Standards  
Board (ISSB)**

**Global Impact Investing Network (GIIN)**

**Principles for Responsible Investing (PRI)**

**Glasgow Financial Alliance for Net Zero**

**UN-convened Net-Zero Asset Owner  
Alliance**

**Focusing Capital on the Long Term  
(FCLTGlobal)**

**Singapore Sustainable Finance  
Association**

**Transition Credits Coalition (TRACTION)**

## Industry Engagement

As part of the ISSB Investor Advisory Group, Temasek has committed to advance the ISSB's global baseline for consistent and comparable climate-related disclosures.<sup>11</sup>

In 2023, the firm participated in a Taskforce on Nature-related Financial Disclosures (TNFD) Asset Owner pilot. The objective of the pilot was to further advance TNFD's guidance on risk assessment and quantification by testing different risk assessment approaches on real-life financial portfolios. The aggregated results and insights from the pilot fed into TNFD's fourth beta framework.<sup>4</sup>

**In September 2024,** Temasek, alongside CDPQ, GIC, and Prudential, allocated funds to Brookfield Asset Management's Catalytic Transition Fund, which aims to drive clean energy investments in underserved emerging economies.<sup>12</sup>

**In July 2024,** Temasek published its inaugural sustainability report, in which it discussed its sustainability approach, targets, milestones, and strategies, in addition to the key challenges it seeks to address on its journey towards net zero, nature-positive, and inclusive growth.<sup>4</sup>

**In June 2024,** Temasek-backed Decarbonization Partners led a \$69 million equity funding round for Switzerland-based carbon dioxide removal solutions provider Neustark.<sup>13</sup>

**In February 2024,** Temasek and Japan's Norinchukin Bank announced that they are set to anchor a \$173 million fund that will invest in agriculture and food technology start-ups across the Asia-Pacific region. The fund, known as the Sevia T3F Strategy, will also focus on efforts to decarbonize the food and agriculture industries.<sup>14</sup>

**Also in February 2024,** Temasek-backed Decarbonization Partners led a Series B \$150 million funding round for thermal battery maker Antora Energy. The financing will underpin an increase in the production of its batteries, blocks of solid carbon heated with renewable energy.<sup>15</sup>

**In January 2024,** Temasek-backed ABC Impact announced the successful first close of its second impact fund, ABC Impact Fund II, with assets exceeding \$550 million. The final close is expected in 2024.<sup>16</sup>

# Thank You

## Contributors:

Bhavana Poosarla, CFA, Senior Associate

Sabrina Katz, Director

## Our Previous Asset Owner Spotlights:

[PGGM, July 2024](#)

[CPP, June 2024](#)

[GIC, March 2024](#)

[CalSTRS, February 2024](#)



[www.bluedotcapital.co](http://www.bluedotcapital.co)

For more insights and research on asset owners, please reach out to us at

[hello@bluedotcapital.co](mailto:hello@bluedotcapital.co)

Future-proofing investment decisions™

## Sources

1. Source: <https://www.temasek.com.sg/en/about-us/temasek-at-a-glance>
2. Source: <https://www.temasek.com.sg/en/about-us/faqs#why-temasek-established>
3. Source: <https://www.temasek.com.sg/en/our-investments/investment-approach>
4. Source: <https://www.temasek.com.sg/content/dam/temasek-corporate/sustainability/temasek-sustainability-report-2024.pdf>
5. Source: <https://www.temasek.com.sg/en/sustainability/sustainability-in-our-investments/embedding-esg-as-part-of-our-investment-process#pre-investment-esg-due-diligence>
6. Source: <https://www.temasekreview.com.sg/sustainability.html#advancing-sustainability-through-our-portfolio>
7. Source: <https://genzero.co/>
8. Source: <https://www.pentagreen.com/about-us.html>
9. Source: <https://www.blackrock.com/sg/en/about-us/decarbonization-partners>
10. Source: <https://asia.nikkei.com/Spotlight/Environment/Climate-Change/Singapore-s-Temasek-and-BlackRock-venture-closes-1.4bn-climate-fund>
11. Source: <https://www.temasek.com.sg/en/news-and-resources/stories/sustainability/sustainability-temasek-cop28-conclusion>
12. Source: <https://www.esgtoday.com/brookfield-raises-2-4-billion-for-emerging-markets-focused-climate-transition-fund/>
13. Source: <https://www.esgtoday.com/blackrock-temasek-decarbonization-fund-leads-69-million-fundraise-for-carbon-removal-startup-neustark/>
14. Source: <https://www.straitstimes.com/business/temasek-teams-with-norinchukin-on-us173-million-green-agri-fund>
15. Source: <https://www.reuters.com/sustainability/climate-energy/blackrock-temasek-led-group-invest-150-mln-thermal-battery-maker-antora-2024-02-22/>
16. Source: <https://abcimpact.com.sg/media-release/singapores-abc-impact-secures-first-close-of-fund-ii-with-support-from-new-investors/>