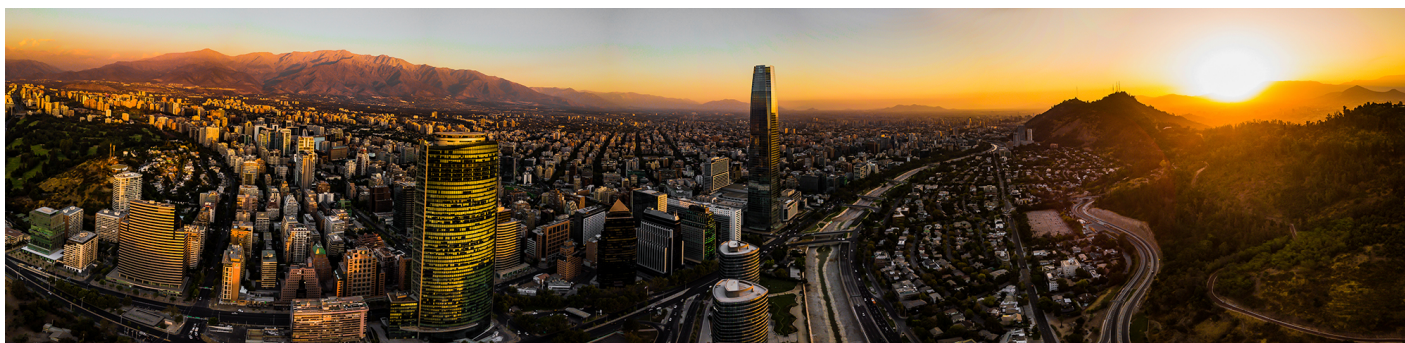




IC 2016

Ithmar Capital

Pillar 1: Legal

Legal framework, objectives, and coordination with macroeconomic policies

Principle 1

1. The legal framework for the SWF should be sound and support its effective operation and the achievement of its stated objective(s).

1.1. The legal framework for the SWF should ensure legal soundness of the SWF and its transactions.

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.

Ithmar Capital was established on 18 February 2011 by the Moroccan government and supported by the Hassan II Fund for Economic and Social Development under the name of Fonds Marocain de Développement Touristique (FMDT). Its purpose is to invest and facilitate co-investments with international sovereign wealth funds and major investment funds in the Moroccan economy. Initial focus has been on tourism and infrastructure; the mandate has been to cover all other productive sectors of the economy (energy, industry, etc.).

Ithmar is structured as a public limited company (Société Anonyme). Ithmar's legal framework is defined within "Décret n° 2-11-52 du 18 février 2011", together with the applicable laws (loi 17-95) in the Kingdom of Morocco relative to public limited companies. The legal framework is designed specifically to establish the sound and effective operation of the fund and the achievement of its objectives.

The key features of Ithmar's legal basis and structure, are disclosed by law on the website of the trade register of Rabat (<http://www.tcrabat.ma/>) and the relationship between Ithmar and the state bodies is stated within the above-mentioned decree n° 2-11-52 which is disclosed to the public within the Official Bulletin of the Moroccan Government (<http://www.sgg.gov.ma/>). As such, the shareholders of the Company are as follows: Ministry of Finance representing the Moroccan Government 67% and Fonds Hassan II 33%. Fonds Hassan II is itself 100% owned by the Moroccan government.

Principle 2

The policy purpose of the SWF should be clearly defined and publicly disclosed.

Ithmar's policy purpose is clearly defined by the above-mentioned decree n° 2-11-52 which is available for the public on the website of the Moroccan Government.

Principle 3

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 ensure consistency with the overall macroeconomic policies.

The Company is strategic within the country's economic development (Ithmar has been designated as a Strategic SOE pursuant to organic law n°02-12) as it plays an important role to consolidate some of the major cross-sectoral investment projects while being a catalyst for private sector financing. Therefore, the fund's investment policy is closely correlated to the monetary and fiscal policy. The composition of the board includes the Minister of Economy and Finance together with representatives from the major departments of his ministry, this setup reinforces the coordination with the macroeconomic decision makers and ensures overall consistency with the macroeconomic policies.

Principle 4

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.

4.1. The source of SWF funding should be publicly disclosed.

4.2. The general approach to withdrawals from the SWF and spending on behalf of the government should be publicly disclosed.

Policies, rules, procedures, or arrangements in relation to the general approach to funding, withdrawal, and spending of Ithmar are publicly disclosed through the decree.

The source of Ithmar's funding is publicly disclosed through the decree.

The general approach to withdrawals from Ithmar and spending on behalf of the government is publicly disclosed. Indeed, within the budget allocated by the Moroccan government to Ithmar is included within the national and global budget stated both in the annual finance law and in the "Rapport sur le secteur des établissements et entreprises publiques" (www.finances.gov.ma) of the Kingdom of Morocco, which is disclosed on the website of the Moroccan Government.

Principle 5

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.

The relevant statistical data pertaining to Ithmar are reported to the board and to the ministry of finance. Monthly reports are provided to our shareholders.

Pillar 2: Institutional

Institutional Framework and Governance Structure.

Principle 6

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.

Ithmar has established a clear and sound governance framework to ensure independence in the management and pursue its objectives, in accordance with the law, namely, a chief executive officer and a board of directors with specialised committees (steering and investment committee, audit committee, remuneration committee). Ithmar has legal, finance, asset management, investment, human resources departments.

Principle 7

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.

Ithmar's objectives are set out by the Moroccan government within the decree and the activity of the fund is under the control of the board and the committees, which make recommendations and regular reports to the board of directors on the activity. The directors are appointed following clearly defined procedures established at inception in the articles of associations of Ithmar.

Principle 8

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.

The powers and authority of Ithmar's governing bodies are clearly defined by law the “loi 17-95 relative aux sociétés anonymes” applicable in the Kingdom of Morocco and completed by the articles of associations of the Company. As such, the legal obligations are provided to ensure that those governing bodies are acting in the best interest of the Company.

Principle 9

9. The operational management of the SWF should implement the SWF's strategies in an independent manner and in accordance with clearly defined responsibilities.

Ithmar's operational management is managed by independent departments with key staff recruited in accordance with clear process recruitment, adequate experience, and competencies. The organisational framework is defined with clear objectives and responsibilities.

Principle 10

10. The accountability framework for the SWF's operations should be clearly defined in the relevant legislation, charter, other constitutive documents, or management agreement.

The Moroccan legislation applicable to the public limited companies and thus to Ithmar. These laws clearly define the legal accountability framework. As such, Moroccan law requires, inter alia, that the public limited companies keep full records on the accounts, and produce annual financial statements etc.

Principle 11

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.

Ithmar produces annual reports on operations and performance, a management report and an annual activity report accompanying the annual financial statements established in accordance with recognised national and international accounting standards. These reports are filed by law in the “Tribunal de Commerce” of Rabat.

Principle 12

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.

Ithmar’s operations and financial statements are audited annually by law. Indeed, the annual accounts of Ithmar are audited by statutory auditors, in accordance with Moroccan and international standards on auditing.

Principle 13

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.

Professional and ethical standards applicable to the governing bodies of the Company are defined under the “Code de bonnes pratiques de gouvernance des entreprises et établissements publics” dated March 2008, which is available on the website of the ministry of the economy http://www.ecgi.org/codes/documents/morocco_code_march2008_fr.pdf).

Ithmar also has a specific compliance manual for its staff.

Principle 14

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.

The relationship between Ithmar and third parties is governed by “décret n°2-12-349 relatif aux Marchés publics”, dated 20 March 2013. This decree provides policies and procedures on public contracts and tenders to be awarded in a fair manner and to ensure transparency and fair competitive market conditions. The economic performance of Ithmar is also one of the most important key performance indicators defined by the shareholders (see attached decree for example) and scrutinised throughout the organisation.

Principle 15

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.

Ithmar currently has no direct operations in foreign countries. Ithmar acts with the regular counsel of international and recognised law firms to adhere to the best practices.

Principle 16

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.

As Ithmar is structured as a public limited company, the law 17-95 provides very clear separation between the board and the operational teams. The organisational framework voted by the board reinforces the separation. Ithmar's objectives are defined within the decree of its creation, which is publicly disclosed

Principle 17

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.

The annual financial statements of Ithmar are publicly disclosed by law (freely available in the "Tribunal de Commerce" of Rabat.

Pillar 3: Investment

Principle 18

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.

18.1. The investment policy should guide the SWF's financial risk exposures and the possible use of leverage.

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.

18.3. A description of the investment policy of the SWF should be publicly disclosed.

"l'Etude Stratégique FMDT" is strategic paper voted by the board and reviewed annually which outlines investment policies of Ithmar and ensures consistency throughout the investment process and the management of the assets with the strategic objectives set by the shareholders.

Risk exposure and the use of financial leverage are clearly defined within the processes; specifically the relationship between the operational teams and the investment and steering committee sets clear limits and delegations. Financial derivative transactions are subject to prior board approval.

The external managers' programme is subject to a specific internal committee with defined processes to ensure transparency in the selection and adequate follow-up of their performance.

A general approach to Ithmar's investment policy is defined within its decree of creation. For confidentiality reasons "l'Etude Stratégique FMDT" is strictly restricted to shareholders.

Principle 19

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.

19.1. If investment decisions are subject to other than economic and financial considerations, these should be clearly set out in the investment policy and be publicly disclosed.

19.2. The management of an SWF's assets should be consistent with what is generally accepted as sound asset management principles.

The investment decisions are made by the Board of directors based on economic, financial grounds, generally backed by external feasibility studies and financial analysis prepared by its staff. Leveraging resources through co-investments and generating superior risk-adjusted returns are key strategies highlighted by the board in order to maximise the impact of Ithmar's projects on the Moroccan economy.

All the relevant considerations relating to investment decision-making process are stated in Ithmar's founding decree and further developed in "l'Etude Stratégique FMDT".

Management of Ithmar's assets has been set up as a dedicated department in order to ensure operational excellence in accordance with best practices.

Principle 20

20. The SWF should not seek or take advantage of privileged information or inappropriate influence by the broader government in competing with private entities.

The fund has been established as a public limited company with offices physically far from public entities and great care has been taken to ensure Chinese walls between the shareholders, staff and the fund staff

Principle 21

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.

Consistent with our portfolio management approach, Ithmar exercises ownership rights in our investments, where appropriate, to protect the financial interest of the assets under our management. Our general approach to the exercise of our ownership rights is guided by financial considerations in line with performance targets set by management under the guidance of the board. In addition, Ithmar is bound by the law, Ithmar having an obligation to protect the economic interest of its affiliates (all set up as companies by share).

Principle 22

22. The SWF should have a framework that identifies, assesses, and manages the risks of its operations.

22.1. The risk management framework should include reliable information 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.

22.2. The general approach to the SWF's risk management framework should be publicly disclosed.

Principle 23

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.

Ithmar's assets and investment performance are reported to the board within the annual activity report.

Principle 24

24. A process of regular review of the implementation of the GAPP should be engaged in by or on behalf of the SWF.

Ithmar does not have currently such process in place. The establishment of a process for the regular reviewing of the implementation of the Santiago Principles will be on the agenda for the next audit committee meeting.