



OIA 2016

Oman Investment Authority

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.

SGRF was founded through a Sultani Decree in 1980. The Sultani Decree is a publicly accessible law and has been maintained and updated through subsequent Decrees.

The Sultani Decree recognises SGRF as an independent legal entity able to contract in its own name.

Principle 2

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

The policy and vision of SGRF is public stated on its website <http://www.sgrf.gov.om/about.html>

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.

SGRF does not invest significantly in Oman and is not considered to have a macroeconomic impact locally outside its role acting as a reserve fund for Oman.

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.

SGRF website provides high-level asset allocation and a summary of the governance framework. SGRF intranet includes all internal policies and procedures for staff references.

The source of funding is addressed in Sultani Decree 1/1980 and its subsequent amendments.

The general approach to withdrawals from the SGRF and spending on behalf of the government is publicly disclosed as directed by the above Sultani Decree and its subsequent amendments.

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.

SGRF management produces periodical reports and shares them with various stakeholders. For example, Weekly reports are prepared and forwarded to the Chairman who is the Minister for Ministry of Finance. Monthly reports are submitted to the Board of Directors. Quarterly reports are submitted to the FAERC (Financial Affairs and Energy Resources Council)

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.

SGRF has a written and approved Corporate Governance manual which also includes Delegation of Authority. The Delegation of Authority sets out the responsibilities of the Board, the Audit Committee and the management of SGRF.

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.

The Sultani Decree 1/80 and its amendments indicates how the Owner (FAERC) appoints its governing bodies.

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.

Our Board, Audit Committee, Investment Committee and the Management Committee have written and approved terms of reference (Charters).

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.

The SGRF's operational management implements the fund's strategies in an independent manner as per our Delegation of Authority manual.

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 SGRF's accountability framework is outlined in our corporate governance manual.

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.

An annual report is currently being prepared. This will be an ongoing annual exercise.

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.

SGRF's financial statements are audited using the relevant International Financial Reporting Standards.

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.

We have the Code of Business Conduct that sets out various business ethics. Our Board and Audit Committee have reviewed and approved the Code of Business Conduct.

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.

We have a clear process for appointing fund managers. This is reflected in our business process manual. The selection of fund managers is also reviewed and approved by the Investment Committee.

External consultants are appointed based on the procurement process and is approved by the Internal Tender Committee if it exceeds specific values.

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.

Our Risk and Compliance as well as legal department are tasked with monitoring such compliances.

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.

Our Sultani Decree 1/1980 states that SGRF is a "separate Legal person" Hence the current structure is that the management (via its relevant committees) has delegated authorities up to an agreed financial limit. Any transactions above the set limit are referred to the Board for approval. The members of the Board are not nominated or appointed by the Board. The members consist of various Ministers from other ministries as well as the Ministry of Finance.

It is also important to note however that SGRF is "a stabilisation Fund" and hence it is not totally independent from Ministry of Finance.

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.

This is included in our website www.sgrf.gov.om

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.

SGRF has an Investment Directives that governs SGRF high-level investment activities and or operations.

We a guide to risk exposure is included in SGRF's investment guidelines and investment processes.

The use of internal and external management and the selection of managers is defined by the SGRF investment strategy.

A brief, high-level investment policy is included in SGRF website.

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.

Our Asset Allocation framework is structured to optimise the funds return in a risk-adjusted return.

SGRF has in place a well-defined investment process, Investment Directives and Investment Guidelines.

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.

Not applicable

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.

In Direct investment, for example, SGRF considers controlling stake to exercise ownership rights.

SGRF is not publicly disclosing the general approach to voting securities of listed entities. However, SGRF does vote if this is a regulatory requirement in the country where the investment is held.

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.

We use GIPS (Global Investment Performance Standards).

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.

The Compliance section within our Risk and Compliance department will undertake regular reviews to ensure compliance.