



IC 2019

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 or the Company" was established on 18 February 2011 to invest and facilitate co-investments with international SWFs and major investment funds in the Moroccan economy. Special focus was initially on tourism and infrastructure; the mandate was extended by its board of directors on 8 July 2015 to cover all other productive sectors of the economy (energy, industry, etc.).

The fund was originally named Fonds Marocain de Développement Touristique "FMDT". To reflect the change to a multi-sectoral approach, the fund's name has also been changed from FMDT to Ithmar Al Mawarid ("Ithmar").

The legal framework of Ithmar is defined within the decree of its creation: "Décret n° 2-11-52 du 18 février 2011" together with the applicable law in the Kingdom of Morocco related to public limited companies, namely, the "loi 17-95 relative aux sociétés anonymes".

The change of name and the enlargement of the mandate are reflected in the Amendment Decree: Décret n°2-19-134 du 29 Février 2019.

The legal framework is designed specifically to establish sound and effective operations for the fund and the achievement of its objectives.

The key features of Ithmar's legal basis and structure, are disclosed, by law, under the website of the trade register of Rabat (see link <http://www.tcrabat.ma/>) and the relationship between Ithmar and the state bodies is stated within the abovementioned decree n° 2-11-52 which is publically disclosed in the Official newsletter of the Moroccan Government (see link <http://www.sgg.gov.ma/>). As such, the shareholders of the Company are as follows: Ministry of Finance representing the Moroccan Government 2/3 and Fonds Hassan II pour le Développement Economique et Social 1/3.

Principle 2

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

The policy purpose of Ithmar is clearly defined by the above-mentioned decree n° 2-11-52 which is available to 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.

One of Ithmar's main objectives is to support the Government's sectoral strategies. Its activity is de facto in line with 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 aforesaid decree.

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

The general approach to withdrawals from Ithmar and spending on behalf of the government is publicly disclosed. Indeed, the budget allocated by the Moroccan Government to Ithmar is included in the national budget stated in the annual finance law together with the "Rapport sur le secteur des Etablissements et Entreprises Publiques" of the Kingdom of Morocco, which is disclosed on the website of the Moroccan Ministry of Economy and Finance. www.finance.gov.ma

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. Indeed, monthly reports are provided to our shareholders, namely, the Ministry of Economy and Finance and le Fonds Hassan II.

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 to pursue its objectives, in accordance with the law, namely, a Chief Executive Officer and a Board of Directors with specialized committees (Investment Committee, Audit Committee and Remuneration Committee). The relevant functions within Ithmar are as follows: legal, finance, asset management, investment and public relations.

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 objectives of Ithmar are set out by the Moroccan Government within the aforesaid decree and the activity of the fund is under the control of the board and the committees, which are making recommendations and regular reports to the board of directors. In addition, the directors are appointed by the general assembly of the shareholders in accordance with the articles of associations of the Company.

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 the governing bodies of Ithmar are clearly defined by law, in particular, 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 in order 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.

The operational management implements the fund's strategies in an independent manner and no external bodies other than the shareholders (that approved the fund's strategies) intervene in the process.

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 in particular to Ithmar defines clearly the legal accountability framework. As such, the Moroccan law requires, inter alia, that the public limited companies keep full records of 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 a management report and an annual report that includes annual financial statements established in accordance with recognised national accounting standards.

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 the Moroccan 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 Economy and Finance. See http://www.ecgi.org/codes/documents/morocco_code_march2008_fr.pdf

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 relation between Ithmar and third parties is governed by the decree dated 20 March 2013 "décret n°2-12-349 relatif aux Marchés Publics" which provides policies and procedures on public contracts and tenders in order to be done on a fair manner and to ensure transparency and fair competitive market conditions.

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 has no direct operations in foreign countries so far.

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.

The governance framework of Ithmar is defined by the law relating to public limited companies and the "Code de bonnes pratiques de gouvernance des Entreprises et Etablissement Publiques". The objectives of Ithmar are defined within the decree of its creation; which are both 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 available.

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.

The investment policy of Ithmar is consistent with its defined objectives, risk tolerance, and investment strategy, as set by its decree of creation and its governing body(ies) and is based on sound portfolio management principles.

Ithmar acts in order to facilitate co-investments with international SWFs and major investment funds, especially in a view to minimising risks while creating a powerful multiplier effect.

The investment department of Ithmar is managed by persons who have adequate experience, international competences and skills. These managers are selected for their ability to originate and execute investment opportunities.

Ithmar does not use external managers to manage its assets. In some cases, the fund sets up Special Purpose Vehicles with their independent management and adequate governance bodies.

A general approach of the investment policy of Ithmar is defined within its decree of creation.

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, and on studies coming from internal analysis and external consultants, in particular, the preparation of business plans by the investment team, with the aim of maximising the projects' Internal Rate of Return.

All the relevant considerations relating to the investment decision-making process are stated within the decree of creation of Ithmar. In addition, Ithmar has to pursue both economic development and return objectives.

The management of Ithmar's assets is, inter alia, based on acting as a prudent investor seeking to maximize risk-adjusted returns.

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 board does not seek or have a right of access to privileged information or inappropriate influence by the government in competing with private entities. In addition, one of Ithmar's objectives is to increase cooperation and catalyze joint investments between the public and private sectors.

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 will exercise 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.

The fund has not invested in listed entities so far, but rather developed greenfield projects.

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.

The assets and investment performance of Ithmar are reported to the board in the annual 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.

The establishment of a process for the regular reviewing of the Santiago Principles' implementation will be engaged by Ithmar as soon as possible.