



# FSDEA 2019

Fundo Soberano de Angola

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.

*Legal framework*

[Presidential Decree No. 89/13](#) (19<sup>th</sup> June 2013– Revoked) changed FSDEA's name from the Oil Fund to its present name and reiterated

[Presidential Decree No. 48/11](#) (3<sup>rd</sup> September 2011), which had created the Oil Fund. Among these is Article 2, which states that FSDEA "is a legal person, endowed with legal personality, with administrative, financial and asset autonomy."

[Presidential Decree No. 214/19](#) Article 2 reiterates that FSDEA "The Sovereign Fund of Angola is a legal entity with legal personality, with administrative, financial and patrimonial autonomy."

*Governance*

The [Presidential Decree No. 212/19](#), of 15<sup>th</sup> July also delineates FSDEA's governance (including the Board of Directors).

[Presidential Decree No. 214/19](#) lays out governance information about FSDEA and approves the Management Regulations of the Fund.

*Relationship with other public bodies*

[Presidential Decree No. 212/19](#), also provides for an Investment Committee (chaired by the Chairman of the Angolan Sovereign Wealth Fund and including the FSDEA Board Member responsible for the Investments, a representative of Ministry of Finance, Minister of Economy and Planning, a Representative of the Angolan Central Bank (BNA) and Territorial Development, the Economy Minister, and three (3) senior specialists appointed by FSDEA.

The Fund has been established with an advisory council that assists the President of the Republic in matters related to the Fund, ensuring that the objectives and targets of the Fund are aligned with the macroeconomic strategy of the country. However, investment decisions are taken by the Board of Directors, without any interference, in accordance with what is established in article 4 of the investment policy approved by [Presidential Decree No. 213/19](#) dated July 15<sup>th</sup>, 2019, which also establishes the limits on the operation of the Fund.

## Principle 2

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

[Presidential Decree No. 213/19](#) is the Investment Policy of the Fund.

Article 2, As a strategic organ of the Angolan Executive's act, with a view to the constitution of financial reserves, for the benefit of present and future generations, FSDEA's activity is limited to the purposes for which it was created, being governed by the following mandates:

- a. Savings and wealth transfer to Future Generations (Preservation of Capital);
- b. Maximization of results;
- c. Tax stabilization with respect to revenue allocated for this purpose.

The FSDEA investment policy can be accessed via the Fund website at:

<https://fundosoberano.ao/governacao/visao-geral>

## 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.

[Presidential Decree No. 212/19](#) provides for an Investment Committee (chaired by the Chairman of the Angolan Sovereign Wealth Fund, and including the FSDEA Board Member responsible for the Investments, a representative of Ministry of Finance, Minister of Economy and Planning, a Representative of the Angolan Central Bank (BNA) and Territorial Development, the Economy Minister, and three (3) senior specialists appointed by FSDEA., which helps to conduct FSDEA's investment program.

FSDEA objectives is to Increase national wealth through strategic and responsible management of sovereign resources, allocating them to investments in Angola and abroad, whose risk / return prudence criteria allow maximizing returns and minimizing risks; b. Contribute to the creation and maintenance of alternative sources of wealth for the country, considering the long-term interests of Angolan citizens, favouring the function of saving and generational transfer of wealth and Setting up a fund for fiscal stabilization.

## 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.

#### *General approach to funding*

Presidential Decrees No. 213/19 and [214/19](#) lay out the governance and regulations of the Fund

*Initial funding* ([Presidential Decree n.º 107/13, Article 2](#)) - Revoked

“1. After the initial endowment with a value of (five) US\$5 billion, the excess of the Strategic Oil Reserve for Basic Infrastructure relating to the General State Budget (OGE) of the past year shall be attributed to the Sovereign Fund of Angola.”

*Source of ongoing funding* ([PD - 213/19, Article 3](#)) - “The Sovereign Wealth Fund is capitalized in accordance with the rules defined in the Law approving the General State Budget for each financial year.”

*General approach to withdrawals* [[Management Regulations Article 5](#) (appended to 214/19))

“5. The Minister of Finance may, exceptionally, upon a formal mandate from the President of the Republic, request a withdrawal of resources from the Fund which shall be exclusively intended to meet the emergency needs of the country during a natural disaster, and shall be a last resort to protect the country. during a severe economic crisis, however, the withdrawals cannot cumulatively exceed 40% of the Fund's net assets.

After the initial capitalization of US \$ 5 billion, and the installation resources, understandably considering the country's economic situation, the Fund did not receive other Government contributions for investments to this date.

#### 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.

[Presidential Decree No. 214/13 Article 7](#) details provision of information from FSDEA to relevant authorities:

“1. The Board of Directors shall compile and submit a quarterly report to the Minister of Finance, which, after an opinion within 15 days, shall be forwarded to the President of the Republic.

2. The report is prepared in accordance with national accountability legislation and in line with best practices of sovereign wealth accountability models and should include the overall performance and return of the Fund, a summary of the state of internal organization and investments by asset class, with specific notes for any investment representing 5% or more of the total portfolio assets.

3. The Fund undertakes to ensure the inclusion and implementation of the Santiago Principles on reporting and dissemination of information

4. The Fund should be integrated into the State General Account and be managed prudently, responsibly and transparently under the legal framework to which it is subject.

#### 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.

In addition to the governance measures mentioned previously, Article 9 of the Organic Statute describes the organizational structure of FSDEA:

“The Sovereign Wealth Fund of Angola has the following structure:

Governing Bodies:

- Board of Directors;
- Audit Committee;
- Investment Committee.

Article 19.º of the Organic Statute of Angolan Sovereign Wealth Fund defines the organic structure as follow:

“The organizational structure of the Sovereign Wealth Fund of Angola and the respective distribution of powers are established by the Board of Directors.

Considered that the BoD of the Angolan Sovereign of Angola is defining the best structure for the fund and one that suits best its objective.

The Board is committed to approve a governance framework which is clear on its independence and accountability on its purposes.

Once the structure is approved, the same will be shared on the FSDEA’s website.

## 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.

### *Setting objectives*

[Presidential Decree No. 213/19](#) is the Investment Policy of the Fund. Article 1 of that Decree sets forth the policy of the fund, as enunciated by the President.

### *Appointing the governing body*

Per number 3 of Article 10 of the Organic Statute, “The Board of Directors shall be appointed by the President of the Republic for a term of five (5) years, renewable once.”

The Audit Committee is appointed by the Minister of Finance, to whom they submit semi-annual reports on the management of the Fund.

The external auditors shall be appointed annually by the President of the Republic.

The external auditors shall be obliged to submit copies of the reports thus drawn up to the Minister of Finance and to the Board of Directors

#### 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.

#### *Duties of the Board*

[Article 10 of the Organic Statute](#) lays out the extensive duties of the Board of Directors, which is “responsible for all actions required for managing the Fund and carrying out its duties.”

#### *Authority of the Board*

Per Article 4 of that document, the Board of Directors is “responsible for all actions required for managing the Fund and carrying out its duties” which is implicitly adequate authority to discharge all duties later described in Article 10.

#### 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.

Chapter II of the [Organic Statute](#) divides the responsibility of the various personnel groupings of the Fund.

Article 4 of the [Regulations](#) (Presidential Decree No. 214/19) states that the Board of Directors is responsible for the management of the Fund and the implementation of the Investment Policy.”

#### 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.

#### *Accountability of the Board*

Per Article 8 of the Organic Statute, “the members of the Board of Directors of the Sovereign Wealth Fund of Angola are appointed by the President of the Republic.”

According to [Article 6 of the Organic Statute](#), among the Board’s duties are reporting requirements to the President of Angola (e.g. administrative policies and regulations, annual management report)

#### *Accountability of the owner*

The owner (in this case, the President of Angola on behalf of the Angolan State) is himself accountable to the people of Angola.

#### 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.

#### [Article 19 of Presidential Decree No. 48/11:](#)

“1. The activity of the Oil Fund and its accounts shall be subject to regular annual audits to be carried out by independent auditors of recognized suitability and competence, who shall report to the President of the Republic on the executed works and respective results, in the form determined by this latter party.

2. The external auditors shall be appointed on an annual basis by the President of the Republic, who shall set their remuneration.

3. The external auditors are obliged to submit copies of the reports so drawn up to the Ministry of Finance and Board of Directors.”

The [annual report](#) and the financial statements as soon as the audit is completed are published in the widely circulated newspapers and made available on the FSDEA website

#### 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.

#### [Article 19 of Presidential Decree No. 48/11:](#)

“1. The activity of the Oil Fund and its accounts shall be subject to regular annual audits to be carried out by independent auditors of recognised suitability and competence, who shall report to the President of the Republic on the executed works and respective results, in the form determined by this latter party.”

The new board of directors holds a [public tender](#) to appoint the auditor. In general, the international audit firms that are part of the top 10 are invited to submit a proposal.

#### 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.

Article 24 of [Presidential Decree No. 48/11](#) states in relevant part that “[t]he staff of the Oil Fund shall be subject to the common legal regime applicable to employees of public companies.”

The composition of the new board of directors includes professionals with extensive experience in finance and public management. The executive profiles of the members of the board of directors are available on the Fund's website.

All [internal policies](#) are also posted on the Fund's website.

The Fund also has a Code of Conduct and compliance policies.

The Fund has a Code of Conduct with four stated objectives:

Guarantee compliance with the provisions of the law on the respect of professional duties incumbent upon FSDEA, its employees and third parties;

Ensure compliance with legislation and policies on the prevention of corruption and on anti-money laundering and terrorist financing;

Ensure that, in addition to complying with the rules and duties arising from the applicable legal and regulatory provisions, the activities of FSDEA shall be performed in accordance with strict ethical and deontological principles;

Contribute to the promotion an institutional image of rigour, efficiency and competence.

In addition to the compliance rules and policies to which all employees of the Fund are subject, under the terms of current legislation, members of the board of directors are required to present the declaration of assets at the commencement of their duties to the Public Prosecutor's Office.

#### 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.

[Presidential Decree No. 213/19](#) (the Investment Policy) Article 8 empowers the Fund to appoint external managers and implements relevant guidelines.

Number 2 of Article 4 of the [Regulations](#) (Presidential Decree 214/19) empowers the Board to *“The Board of Directors is capable to adapt and make investment decisions and to implement all measures necessary for the sound administration and management of the Fund's portfolio, as well as to exercise all rights associated with the assets under its management, including the hiring of third parties, professionally qualified to provide services related to the activities of the Fund.”*

#### 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.

[Article 6 of Presidential Decree n. ° 214/19](#) indicates that the Fund uses certain guidelines in taking investment decisions.

Align d) of number 2 of Article 6 of the FSDEA Management Regulations states that the following guidelines should be used in companies in which the Fund invests: *“Act with business ethics, in compliance with relevant laws and regulations, effective management of employee and regulatory relationships, and a global approach to the risks, business challenges, and opportunities afforded to the entity”*.

*“With the aim of preserving the long-term interests of the Fund, the following guidelines shall be used for the companies in which the Fund has invested:*

*a) Safeguarding shareholder rights;*

*b) Appointment and maintenance of directors and administrators to be part of the management team, whenever the bylaws give such right to FSDEA;*

*c) Ensure high standards of conduct in administration, transparency, accountability and management;*

*d) Act with business ethics, in compliance with relevant laws and regulations, effective management of employee and regulatory relationships, and a global approach to the risks, business challenges, and opportunities afforded to the entity.”*

#### 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.

[Article 4 of the Regulations \(Presidential Decree 214/19\)](#) publicly available on the Fund's website, charges the Board of Directors “with executing and implementing the Investment Policy.” The Board of Directors is capable to adapt and make investment decisions and to implement all measures necessary for the sound administration and management of the Fund's portfolio, as well as to exercise all rights associated with the assets under its management, including the hiring of third parties, professionally qualified to provide services related to the activities of the Fund.”

#### 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.

[Article 27 of Presidential Decree No. 48/11](#) requires that “the management report and annual financial statements, in conjunction with the opinion of the Audit Committee, after approval by the President of the Republic and, if appropriate, by the Minister of Finance, shall be published in one of the most widely circulated newspapers in Angola.”

#### 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.

FSDEA's extensive Investment Policy was memorialized in the public Presidential Decree 213/19, including sections on risk leverage (Article 7) and external managers (Article 8).

##### 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.

Investment Policy ([Presidential Decree 213/19](#)) Article 3:

“(Guiding principles)

1. FSDEA, as a long-term public asset management entity, in the execution of its investment policy, must operate with full autonomy and independence from the direct and indirect state administration bodies.
2. Given its nature, its activities must always be subordinated to the principles of financial return and the protection of allocated capital, and the investments it makes reflect the following objectives:
3. Increase national wealth through strategic and responsible management of sovereign resources, allocating them to investments in Angola and abroad, whose risk / return prudence criteria allow maximizing returns and minimizing risks;
4. Contribute to the creation and maintenance of alternative sources of wealth for the country, considering the long-term interests of Angolan citizens, favouring the function of saving and generational transfer of wealth;
5. Set up a fund for fiscal stabilization.”

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.

Section 7 of the [Code of Conduct](#) deals with inside information, but appears to focus on information owned or held by FSDEA, rather than information owned or held by the government that might be used to gain an advantage over a competing private investor entity.

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.

Per Article 6 of Presidential Decree 214/19, “[t]he Fund intends to exercise of Rights in Subsidiaries. The representative / legal representative of the Fund shall, whenever the Fund holds a qualifying holding in an entity, attend meetings of that entity in order to safeguard the rights and interests of the Fund”

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.

[Article 7 of Presidential Decree No. 214/19:](#)

“1. The Board of Directors shall compile and submit a quarterly report to the Minister of Finance, which, after an opinion within 15 days, shall be forwarded to the President of the Republic.”

[Article 19 of Presidential Decree No. 48/11:](#)

“1. The activity of the Oil Fund and its accounts shall be subject to regular annual audits to be carried out by independent auditors of recognised suitability and competence, who shall report to the President of the Republic on the executed works and respective results, in the form determined by this latter party.

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.

[Align 3 of Article 7 of Presidential Decree 214/19:](#)

“3. The Fund undertakes to ensure the inclusion and implementation of the Santiago Principles on reporting and dissemination of information.”