



ADF 2016

Agaciro Development Fund

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.

Agaciro Development Fund (AGDF) is registered with Rwanda Development Board as a corporate trust fund with registration No. 103050268 under company law and operates as a national sovereign wealth fund wholly owned by the people of Rwanda. AGDF was officially launched on 23rd August 2012 by His Excellency the President of the Republic of Rwanda, Paul Kagame.

AGDF operates under the custodianship of the National Bank of Rwanda (BNR) and reports quarterly and annually to the Ministry of Finance and Economic Planning which is its supervisory authority.

Law governing companies:

http://primature.gov.rw/home.html?no_cache=1&tx_drblob_pi1%5BdownloadUid%5D=280

Principle 2

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

The policy purpose of AGDF is well-defined and disclosed to the public via the [Fund's website](#). The objectives of the Fund are clearly defined in its Trust Deed approved by the Government.

The Fund was set up to: build up public savings to build prosperity for generations, maintain stability in times of shocks to the national economy and accelerate Rwanda's socio-economic development goals. AGDF's long-term objectives and expected economic and market conditions determine the choice of asset classes and their weights in the Fund. The Board reviews the Fund's asset allocation periodically for consistency with the objectives and evolving opportunities and risks.

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.

National Bank of Rwanda is the custodian of AGDF. The Bank is the Government monetary body, while the Ministry of Finance and Economic Planning is a supervisory authority and monitors AGDF's consistency with the overall macroeconomic policies. The activities of the Fund are reported to the Government via the ministry of finance. The Chairperson of the AGDF is accountable to the finance minister with whom he signs the performance contract annually and the Fund reports to the ministry on its performance. Overall, the performance of the AGDF is coordinated by the Prime Minister's office.

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.

AGDF Finance Policy spells out general approach to funding, withdrawal, and spending operations and is disclosed to the public via its website

The sources of AGDF funding are publicly disclosed at its website:

1. Contributions from Rwandans and friends of Rwanda
2. Returns from AGDF investments
3. Grant of the Government of Rwanda

<http://agaciro.rw/index.php?id=24>

No withdrawals from AGDF for spending purposes are accepted. The Fund serves principally as the vehicle for long term investments for generations of Rwandans and as such withdrawals for spending on behalf of Government are therefore not in line with the Fund's mandate.

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.

Regular audited financial reports reflecting AGDF financial position are submitted to the Ministry of Finance quarterly and annually to the Government. The reports are reviewed and approved by the Board of Trustees prior to transmittal to the Ministry of finance.

Financial statements are published in newspapers with broader readership and on AGDF website to ensure information disclosure to the stakeholders on its financial position.

AGDF is included in the National Strategic Plans set to deliver on the Country's vision.

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.

AGDF is governed by the Board of Trustees. The Board membership is approved by the Cabinet meeting. The Board is accountable to the Government of Rwanda, through the Ministry of Finance and Economic Planning, in ensuring that AGDF complies with laws and the highest standards of corporate governance. The Government of Rwanda has tasked the Board of Trustees to manage the funds on their behalf. The role of the Board's is to provide professional, transparent and accountable Management of the Fund so that it benefits the current and future generations of Rwandans. The board makes investment decisions independently in line with the AGDF objectives as approved by the Government. The Board charter comprehensively sets out the role of the board. The Management headed by the CEO who is also appointed by the His Excellence, the President of the Republic is responsible for running operationally the fund on daily basis.

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.

AGDF objectives are set out in the Trust Deed endorsed by the Government of Rwanda and Board of Trustees and are publicly disclosed through its website.

The governing body of the AGDF is the Board which is appointed by the government. The clear procedures of the Board for exercising oversight AGDF operations are explained in the Trust Deed. The overarching role of the Board is to provide professional, transparent and accountable management of the Fund so that it benefits current and future generations of Rwandans. The chairman of the Board is accountable to the Government through the Ministry of Finance. The chairman signs performance contracts with the minister of finance and meets annually for evaluation of how the targets have been achieved.

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 Board of Trustees is mandated to manage AGDF and oversee its operations in the interest of the people of Rwanda. The Trustees' fiduciary duties are clearly set out in the Trust Deed.

The Trustees are experts drawn from different sectors of the economy both in public and private sectors and possess a vast pool of skills and competencies in business management, law and other relevant different areas.

The board is responsible to set strategy and policy aimed at achieving the AGDF goals in line with the AGDF objectives set by the Government. The AGDF has investment, finance and risk management policies that are approved and regularly reviewed by the board. The board chairperson annually signs performance targets contract with the minister of finance and the chairperson is accountable for the attainment of the agreed

performance which is evaluated annually.

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.

AGDF has in place institutional policies that set out clearly the organisational chart and well-defined staff responsibilities. The policies also define the governance structure. Operational management of the fund is also well-elaborated in the board charter, finance policy, audit policy, human resources policy, investment policy, risk management and procurement policy. Responsibilities and authority vested in offices and organs are well defined therein.

The board makes investment decisions independently in line with the AGDF objectives as set by the Government. The CEO is responsible for operational management of the day-to-day activities including managing budget approved by the board, human resources management, development and recruitment in accordance with HR policies approved by the board. The CEO and the chairman sign the performance targets, the progress of which is monitored and an evaluation is made annually.

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 Board has the responsibility for the oversight and management of AGDF's operations and is accountable to the Government of Rwanda, through the Ministry of Finance, in ensuring legitimacy, compliance with the highest standards of corporate governance as well as ensuring the performance of the portfolio. On a daily basis, the Management headed the Chief Executive Officer runs the fund's operations within the parameters of strategies and policies set out by the Board. The Board charter sets out the role of the board and the management.

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.

AGDF submits an annual report and financial statements to the Ministry of Finance and Economic Planning.

The Financial statements are prepared as per the requirements of Organic Law N°12/2013/OL of 12/09/2013 on State finances and property in accordance with International Financial Reporting Standards. So far, no contingent liabilities or off-balance sheet items have been recorded in the AGDF finance statements.

http://www.minecofin.gov.rw/fileadmin/_migrated/content_uploads/Law_on_State_Finances_and_Property.pdf

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.

The financial statements of AGDF are audited quarterly and an overall audit is carried out annually by an internationally recognised external auditor in accordance with IFRS.

Audited financial statements are published in the newspapers with wider readership and AGDF website for accountability and transparency to the stakeholders.

AGDF financial statements disclosed to the public contain information on accounting policies including the opinion of the auditors.

<http://www.agaciro.rw/index.php?id=62>

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.

AGDF has adopted professional and ethical standards as basic principles for its operations. Specifics thereon are defined in the Trust Deeds publicly disclosed. The Board Charter and Code of Conduct also spell out AGDF commitment to promoting professional and ethical standards.

Members of the board must at all times comply with the express terms and spirit of their statutory obligations to the Board including acting honestly and in good faith and in what they reasonably believe to be the best interests of the Board.

Members of the board must ensure that information they hold about the Board is treated in strict confidence and that property of the Board (including information) is used solely in the best interests of the Board.

Board members and staff operate in compliance with the Codes of Conduct which sets out the standards of appropriate ethical and professional conduct for The Board.

The Board charter stipulates statement on matters related to conflicts of interest that may arise.

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.

All AGDF dealings with its third parties are done basing on economic and financial grounds and follow laws, rules and procedures. The dealings with third parties are done consistently with provisions of policies governing the management of AGDF in line with its mission as approved the Government.

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.

Currently, AGDF only operates on Rwandan territory and complies with regulatory requirements related to its business.

AGDF has adopted ethics and transparency as upfront principles of its operations and complies with international conventions and regulations related to investment and trade by respecting the laws and cultures of the country where its business may be extended.

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 Board of Trustees makes professional decisions independently and is accountable to the Government of Rwanda, through the Ministry of Finance on the portfolio performance. The accountability and reporting hierarchy are publically through the website.

<http://www.agaciro.rw/index.php?id=24>

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.

Updates on AGDF's financial status spelling out assets under management and other relevant financial information and future plans are disclosed to the public via its website and widely read newspapers. Financials are published in NewTimes and ImvahoNshya, Rwanda's widely read newspapers on a quarterly basis. AGDF's asset allocation, benchmarks etc. are disclosed on its website.

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.

AGDF's Investment Policy statement, including objectives and investment strategy, is published on the AGDF website. The investment policy approved by the board spells out broader details.

The AGDF aims to support Rwanda's economic security and development and build wealth for generations of Rwandans.

AGDF is a professional and prudent institutional investor with a long investment horizon. This enables it to seek out sustainable real returns and ride out short-term economic and financial market fluctuations. AGDF aims to achieve above-average real returns while maintaining risk within acceptable limits, so as to preserve capital.

AGDF's long-term objectives and expected economic and market conditions determine the choice of asset classes and their weights in the Fund. The Board reviews the Fund's asset allocation periodically for consistency with the objectives and evolving opportunities and risks.

Information about the AGDF asset allocation is available on our website and detailed information is reflected in the annual report also available online.

The criteria and procedures for the recruitment of internal investment managers are clearly set out in HR Policy. The Chief Investment Officer is the lead manager. Regarding the hiring of External Fund Manager (“EFM”), the AGDF investment policy enshrines guidelines thereon established to address the process by which they are selected, their responsibilities and how their performance monitored. The policy sets out that AGDF shall hire fund managers (when deemed necessary) after thorough due diligence and negotiations to manage portions of AGDF assets. Currently, the fund’s assets are managed by internal managers. The powers to approve external fund managers are entrusted with the board with the help of management.

Information about the AGDF asset allocation is available on our website.

The criteria and procedures for the recruitment of internal investment managers are clearly set out HR Policy. The Chief Investment Officer is the lead manager. As to the hiring of External Fund Manager (“EFM”), we have not yet hired one, but Guidelines thereon have been established to address the process by which they are selected and how their performance is monitored.

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 trustees in consideration of the Fund’s Investment Policy and strategic frameworks on basis of economic and financial grounds. The investment policy enshrines that the CEO and Chief Investment Officer have a fiduciary responsibility to manage the Fund’s investment portfolio according to the board’s policies, relevant regulations and laws.

The Board’s duty is to seek risk-adjusted financial returns. The Board operates in a manner consistent with international best practice for institutional investment. The Board focuses on acting as a prudent investor seeking to maximize risk-adjusted returns.

The management of AGDF’s assets is consistent with what is generally accepted as sound asset management principles.

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.

AGDF does not run its business competing with private sector. It does not have any privilege of getting information ahead of other players in investment industry.

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.

AGDF adheres to the basic principles of acting in good faith and enhancing shareholder value in the long-term. The fund is owned by Rwandans with the oversight of the Government of Rwanda. The Government appoints the board to make investment decisions in line with approved regulations.

The Board is required to follow and abide by the fund's mandate and observe the international best practices in investment. The shareholding of AGDF is not that complex as it is owned by only the Government of Rwanda. No proxy votes are hence done.

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 AGDF investments' returns are regularly reported to the owners ? Rwandans.

The AGDF investment policy highlights that the purpose of monitoring and reporting on investment performance is for the Board to be able to ensure compliance with system policy and applicable law, manage the risk of the portfolio and assess the performance. The fund's policy underlines that the Investment Portfolio's performance must be calculated on a quarterly basis with the minimum requirements with specifics set out in the policy.

The preparation and reporting on AGDF assets are done in accordance with the requirements of Organic Law N°12/2013/OL of 12/09/2013 on State finances and property and submitted periodically (quarterly) to the Ministry of Finance. The audited financial statements are published in widely read newspapers and AGDF website for the purposes of information disclosure to the owners and stakeholders the financial position of the Fund.

The AGDF Finance Policy sets out and it is a practice that its financial statements are prepared in accordance with, and comply with, International Financial Reporting Standards (IFRS).

http://www.minecofin.gov.rw/fileadmin/_migrated/content_uploads/Law_on_State_Finances_and_Property.pdf

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.

Since 2016, when AGDF was admitted as an associate member, the fund has been conducting a self-assessment annually.

AGDF is committed to conducting a regular review of the implementation of the Santiago Principles as required.