



Santiago Principles Self-Assessment

Oman Investment Authority

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Pillar 1

Legal framework, objectives, and coordination with macroeconomic policies

Principle 1 Description:

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.

Principle 1 Implementation:

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 recognizes SGRF as an independent legal entity able to contract in its own name.

Principle 2 Description:

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

Principle 2 Implementation:

The policy and vision of SGRF are publicly stated on its website [4].

Principle 3 Description:

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.

Principle 3 Implementation:

Given SGRF's dual mandate of investing for future generations and meeting the government's funding requirements. 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 Description:

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.

Principle 4 Implementation:

Arrangement in relation to funding and withdrawals are clearly defined in the Sultani Decree 1/1980 and its subsequent amendments. Spending operations are set out annually through our annual budget and approved in line with the Delegation of Authority Manual. SGRF intranet includes all internal policies and procedures for staff references. This is addressed in Sultani Decree 1/1980 and its subsequent amendments. The withdrawals from SGRF is part of the national budget which is announced annually via Sultani Decree and is available public gazette.

Principle 5 Description:

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.

Principle 5 Implementation:

Yes. 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 the Ministry of Finance. Monthly reports are submitted to the Board of Directors and Central Bank of Oman. Quarterly reports are submitted to the FAERC (Financial Affairs and Energy Resources Council).

Institutional Framework and Governance Structure

Principle 6 Description:

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.

Principle 6 Implementation:

SGRF has a written and approved Corporate Governance manual. We also have Delegation of Authority Manual which sets out the responsibility and accountability of Board of Directors, Audit Committee and Management of SGRF.

Principle 7 Description:

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.

Principle 7 Implementation:

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

Principle 8 Description:

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.

Principle 8 Implementation:

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

Principle 9 Description:

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

Principle 9 Implementation:

In place as per our Delegation of Authority manual.

Principle 10 Description:

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

Principle 10 Implementation:

In place through the Corporate Governance Manual.

Principle 11 Description:

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.

Principle 11 Implementation:

SGRF Annual Report is prepared on an Annual basis using the International Financial Reporting Standards (IFRS). The report is available on SGRF Website.

Principle 12 Description:

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.

Principle 12 Implementation:

Yes, they are audited using relevant IFRS by the Big 4 Audit firms.

Principle 13 Description:

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.

Principle 13 Implementation:

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 Description:

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.

Principle 14 Implementation:

Yes. 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. There is a clear Tendering and Procurement Policy and Procedures Manual that is approved by the Board of Directors.

Principle 15 Description:

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.

Principle 15 Implementation:

Yes. This is in place. Our SPV and Tax, Risk Management and Compliance, as well as legal departments, are jointly tasked with monitoring such compliances.

Principle 16 Description:

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.

Principle 16 Implementation:

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 have delegated authorities up to an agreed financial limit. Any transactions above the set limit is referred to the Board for approval. The members of the Board are not nominated or appointed by the Board. The members consists of various Ministers from other ministries as well as the Ministry of Finance.

Principle 17 Description:

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.

Principle 17 Implementation:

This is included in our website. Please log into www.sgrf.gov.om [5]

Pillar 3

Investment and Risk Management Framework

Principle 18 Description:

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.

Principle 18 Implementation:

SGRF has Investment Guidelines that govern SGRF investment activities which include risk tolerance. We also have a Risk Policy and risk appetite statement. In place. This is included in SGRF Investment guidelines and investment processes. SGRF's investment policy includes the breakdown of internal versus external allocations in public markets. There is an explicit cap for external allocations and Board approval is required for any changes. External allocations follow a defined selection and monitoring process. All allocations need to be in line with asset allocation strategy and overall portfolio guidelines. A brief high-level investment statement is included on SGRF website.

Principle 19 Description:

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.

Principle 19 Implementation:

In place. Our Asset Allocation framework is structured to optimize the funds return in a risk-adjusted return. Not applicable. Yes. SGRF has in place a well-defined investment process and Investment Guidelines.

Principle 20 Description:

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

Principle 20 Implementation:

Not applicable

Principle 21 Description:

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.

Principle 21 Implementation:

For public markets investments, SGRF is passive when it comes to exercising their positions as we do not hold significant holdings in any given company. For private markets investments, majority or most of our listed investments where we have insignificant

holding, SGRF chooses not to exercise such authority.

Principle 22 Description:

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 22 Implementation:

In place. SGRF follows the COSO Enterprise Risk Management Framework across the entire organisation and ISO 31000 for its processes. The Risk and Compliance team produces a quarterly risk report to the Audit Committee and the Board. Internally similar reports are produced on weekly and monthly and circulated to the concerned departments for further discussion. We also have in place a Code of Business Conduct and an independent internal audit department. SGRF has a well-documented Business Continuity Management Plan and Crisis Management framework. Business Continuity Management Charter and Policy have been approved by the Board and the Business Continuity Management Committee is operational and meets four times a year. The general approach to Risk Management Framework is included in the Investment Process Manual available to all staff of SGRF.

Principle 23 Description:

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.

Principle 23 Implementation:

Yes. We use GIPS (Global Investment Performance Standards) and the reports are shared with the owners as per clearly defined process and timelines.

Principle 24 Description:

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

Principle 24 Implementation:

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

Links

[1] <https://www.ifswf.org/node/453>

[2] <https://oia.gov.om/Index.php?r=en%2Fsite%2Findex>

[3] <https://www.ifswf.org/assessments>

[4] <https://www.sgrf.gov.om/index.php?r=en%2Fsite%2Fabout>

[5] <http://www.sgrf.gov.om>