



# جهاز الاستثمار العُماني

## Oman Investment Authority

### Santiago Principles Self-Assessment

#### Oman Investment Authority

[Fund Details](#) <sup>[1]</sup> [Fund Website](#) <sup>[2]</sup> [Search Assessments](#) <sup>[3]</sup>

#### 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:

The [Royal Decree 61/2020](#) <sup>[4]</sup> [in Arabic] defines OIA's legal status. This Decree gives OIA financial and administrative independence and states that OIA is subordinate to the Council of Ministers.

OIA was formed pursuant to the Royal Decree 61/2020 and has independent legal status. OIA holds assets in its own name and this legal status is stated clearly in the Royal Decree.

The Royal Decree 61/2020 is a public document and are freely available.

[Royal Decree 57/2021](#) <sup>[5]</sup> [in Arabic] states the implementing regulations for OIA (as stated in Article III of the Royal Decree 61/2020). This provides further clarity on OIA purpose and

mandate to the public and other stakeholders.

**Principle 2 Description:**

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

**Principle 2 Implementation:**

Royal Decree 57/2021 Article 5 defines five objectives for the Authority.

These can be summarised as:

1. Managing, developing, and investing the money and assets of the Sultanate to achieve the greatest returns.
2. Creating financial reserves and savings.
3. Contribute to providing the revenues necessary to supplement the general budget and achieve financial sustainability.
4. Contribute to the implementation of government policies and strategies related to the advancement of the targeted economic sectors.
5. Enhancing the investment environment and attracting investment to the Sultanate.

**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:**

OIA coordinates with macroeconomic policy through representatives on various committees such as the Monetary and Stability committee at the Central Bank of Oman as well as representation at other Ministry of Finance committees such as Tawazun, Debt Management and Vision 2040.

**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:**

Currently, the Oman National Budget and the medium-term fiscal plan specifies the government requirements in relation to funding and withdrawals. The National budget is normally issued via Sultani Decree, e.g. No. 2/2021. It is written in Arabic and can be found

on [www.qanoon.om](http://www.qanoon.om) [6]

Royal Decree 57/2021 specifies how the Authority will operate and defines its purpose.

Under Royal Decree 57/2021, Article 14 the source of funding for the Authority can be summarised as follows:

1. The funds are allocated to OIA in the state's general budget.
2. Surplus realised at the end of any fiscal year in the state's general budget.
3. Investment returns of its investments.
4. Funds and other assets that His Majesty the Sultan allocates to the fund.

These are also published in the Official Gazette.

The withdrawals from OIA are outlined in the National Budget which is announced annually via Royal Decree and is available in the Official 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:**

Royal Decree 57/2021, Article 9.16, states the Board of Directors approve OIA Audited Financial Statements, Performance and relevant activities. Accordingly, the OIA Management produces periodical reports and shares them with the Board of Directors.

## **Pillar 2**

### **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:**

Royal Decree 57/2021 sets out that OIA has a board and executive management, with distinctive roles. The board is appointed by royal decree. At the current time, Article 9 of the decree empowers the board to establish the new governance structure, investment strategy operating practices, and administrative and financial regulations. The board is also responsible for the general oversight of the fund in line with established regulations and systems, as well as drawing up the annual budget. The board is also responsible for representing the fund at a governmental and legal level.

Under article 11 of Royal Decree 57/2021, the management has an operational function, putting the strategy approved by the board into practice.

More details are set out in OIA's Corporate Governance Manual which is currently under review post the issue of Royal Decree 57/2021.

**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:**

Royal Decree 57/2021 Article 5 defines five objectives for the Authority as laid out in GAPP 2.

**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:**

The OIA strategy and structure are currently under review.

**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:**

Confirmed as set out in Manual of Authority.

**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:**

The Authority's accountability framework is set out in the Corporate Governance manual, which is currently being reviewed to align with Royal Decree 57/2021.

**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:**

The Authority's annual financial statements are based on the relevant IFRS.

**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:**

The Authority adopts IFRS when preparing the financial statements and is audited by Top four 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:**

The Code of Business Conduct sets out various business ethics and all OIA staff declare on an annual basis their understanding, compliance with the Code as well as declare any conflict of interest and a related party where applicable.

**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:**

Confirmed. We have a clear process for appointing any third parties. This is reflected in our respective policies and procedures that are 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:**

Confirmed. Regular compliance reviews are conducted to ensure host countries applicable regulatory and disclosure requirements are complied with to avoid any potential penalties.

**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:**

The Royal Decrees 61/2020 and 57/2021 clearly sets out an independent Board of Directors that has the ultimate authority to approve all OIA operational matters. OIA no longer reports to any other Government authority.

**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:**

OIA annual financial report is published on the OIA website.

The OIA website discloses its asset allocation and historical rate of return since its establishment. <https://www.oia.gov.om> [7]

## **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:**

OIA has Investment Guidelines that govern OIA investment activities which include risk tolerance. We also have an approved Risk Policy and risk appetite statement.

Post the issue of Royal Decree 61/2020, we are currently reviewing all these documents to align with the objectives and mandate of the OIA.

OIA'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 the asset allocation strategy and overall portfolio guidelines.

A brief high-level investment statement is included on the OIA 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:**

Our Asset Allocation framework is structured to optimize the funds return in a risk-adjusted return. Post Royal Decree 61/2020, OIA is revising the asset allocation framework.

19.1 is not applicable as investment decisions are not subject to anything other than economic and financial considerations.

The management of OIA's assets is stipulated in OIA Policies and Guidelines including 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:**

We partner with the private sector and do not compete with it.

#### **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:**

OIA does not hold significant stakes (greater than 2% of issued share capital) in the majority of its publicly listed investments. Therefore, OIA prefers to be a passive investor and chooses not to exercise its ownership rights in these cases. The exception to this is within the locally (incorporated in Oman) listed equity portfolio where OIA holds a significant stake in a number of Omani publicly listed companies. For these companies, OIA is an active investor and will vote in line with best corporate governance practices. For private markets investments, the majority or most of our listed investments where we have insignificant holding, OIA 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:**

OIA follows the COSO Enterprise Risk Management Framework across the entire organization 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 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. OIA 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 OIA.

The OIA website provides a brief note with regard to risk management.

#### **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:**

We use GIPS (Global Investment Performance Standards) and the reports are shared with the owners as per clearly defined processes 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 Assurance and Governance department undertakes regular reviews to ensure compliance with the Santiago Principles.

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**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://mjla.gov.om/legislation/decrees/details.aspx?Id=1204&type=L&lang=a>

[5] <https://mjla.gov.om/legislation/decrees/details.aspx?Id=1364&type=L&lang=a>

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