



## Santiago Principles Self-Assessment

### Qatar 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 QIA was established by Amiri Decision No. (22) of 2005 of the State of Qatar (the QIA Constitution). As such, the QIA is a specially-created statutory entity, wholly-owned by the Government of the State of Qatar, with a Board of Directors, a chairman, a chief executive officer, and an executive management team.

##### Principle 2 Description:

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

##### Principle 2 Implementation:

QIA's mission is defined in Article 5 of the QIA Constitution, aimed at:

*“... developing, investing and managing the State reserve funds and other property assigned to it by the Supreme Council [of Economic Affairs and Investment of the State of Qatar] in accordance with policies, plans and programs approved by the Supreme Council.”*

QIA was established as an entity through which the State of Qatar may build a diversified investment base to complement its wealth in natural resources. QIA's investment strategy is based on its responsibility to generate a strong and sustainable return for the State of Qatar, within an investment mandate based on purely economic and financial grounds and a long-term investment time horizon.

**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:**

In 2016, a new QIA department, Qatar Investments Department, was established to oversee QIA holdings in local companies. Qatar Investments Department will coordinate with the Ministry of Finance and other fiscal and monetary authorities to ensure consistency with the overall macroeconomic policies.

**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:**

QIA is assigned from time to time fiscal surpluses from the Government of the State of Qatar and is required to manage such funds according to its strategic investment mandate set out in its Constitution.

Since its inception, QIA has accumulated assets and there has been no withdrawal of assets by the Government of the State of Qatar. Since QIA adheres to the strictest commercial and financial standards, in the event of a withdrawal request being made, the QIA Board of Directors would be required to approve such request and also Supreme Council for Economic Affairs (SCEAI), and any ensuing asset liquidation would be required to be conducted in an orderly fashion and in strict compliance with all applicable laws, rules and regulations.

**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:**

Regular reporting to government authorities is established and QIA is also audited by the State Audit Bureau and an independent external auditor. QIA compiles and produces consolidated management accounts and detailed information on its investment performance on a monthly basis for the benefit of its executive management, its Boards of Directors and the SCEAI. Management accounts are provided on a monthly basis.

**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:**

The governing body of QIA is its Board of Directors, which is responsible, with the help of its two committees, the Board Investment Committee and the Board Audit Committee, for implementing investment strategies, delegating responsibilities, appointing and removing the SWF management. Business decisions are the sole responsibility of the QIA Board and QIA's executive management. Pursuant to Article (7) of the QIA Constitution, QIA, *"shall be managed by a Board of Directors which shall consist of a Chairman and Deputy Chairman and a number of members to be appointed by the Decision of the Emir ..."*

QIA takes the execution of effective corporate governance very seriously. QIA operates within a full set of governance policies and procedures. The QIA Board of Directors (the QIA Board) has adopted group governance standards governing all QIA Controlled Entities (as defined below), including those entities, managed directly or indirectly by QIA, as well as entities that are self-managed.

**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:**

The SCEAI approves QIA's, important, strategies, budget and regulations. The QIA Board approves governance policies, provides strategic guidance for QIA, and monitors the activities of its executive management team. Implementation of QIA's mission is the responsibility of the QIA Board, executed through the executive management team and the

constituent departments of QIA.

**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 Board of Directors is the governing body of QIA, ultimately responsible for deciding how to implement investment strategies, delegating responsibilities, setting up committees as necessary and appointing and removing the QIA's management (including CEO and/or executive management).

The QIA, through its Board of Directors, has all powers and competencies necessary to achieve its mission by:

- proposing the investing policies for the State reserve and implementing them;
- designing and monitoring investment programs;
- buying and selling securities, assets and currencies;
- establishing investment companies;
- concluding contracts and taking all necessary legal action;
- proposing draft laws and regulations concerning the State reserve; and
- representing the State of Qatar in all local, regional and international bodies concerning the investment of the State reserve.

**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:**

The QIA Board has charged its executive management team with the responsibility and authority to pursue its investment strategies with the utmost professionalism. QIA's executive management team acts with operational independence within the context of its overall strategy and approved decisions, policies and guidelines.

**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 following is an extract from the QIA policy, "Mission, Values and Governance," adopted by the QIA Board of Directors on 15/09/2008:

Implementation of QIA's mission is the responsibility of the QIA Board which is appointed by His Highness the Emir.

The QIA Board has established the framework for QIA's operations through appropriate policies, including (but not limited to) investment policies, risk management policies and a Code of Conduct.

The QIA Board provides strategic guidance for QIA and monitors QIA executive management.

The QIA Chief Executive Officer, together with the management team, is responsible for the day-to-day management of QIA.

Business decisions are the sole responsibility of the QIA Board and QIA's executive management. Qatar's government does not interfere in the QIA's investment, divestment or other business decisions.

The State Audit Bureau monitors and audits QIA's accounts.

**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 QIA issues to the SCEAI a consolidated annual report and consolidated financial statements in accordance with international and national accounting standards in a consistent manner. The annual consolidated financial statements of QIA are prepared according to the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

**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 operations and consolidated financial statements of QIA are audited by the State Audit Bureau of Qatar and by an independent external auditor, annually in accordance with recognised international and national auditing standards in a consistent manner.

**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 current practice entails that all QIA's corporate officers and employees are required to be guided by the following values:

- **Integrity:** To apply the highest ethical, moral and professional standards of conduct in each of their undertakings.
- **Mission focus:** QIA has a noble mission on behalf of the Qatari people. In executing their day-to-day responsibilities, QIA management and employees are firmly focused on this mission.
- **Entrepreneurialism:** QIA believes in the power of entrepreneurialism, and it continues to encourage initiative and a flexible approach even as the organisation grows and institutionalises.
- **Excellence:** QIA strives for excellence in all aspects of its undertakings.
- **Respect for people:** QIA recognises that people are its most valuable asset, and the organisation seeks to create a respectful workplace free of harassment or intimidation.

The above values are available on QIA's website.

#### **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:**

QIA has detailed selection, engagement and operational monitoring procedures governing its relations with external investment managers. These include due diligence procedures undertaken when evaluating a potential manager, involving qualitative, quantitative and operational considerations.

Monitoring involves keeping in close communication with the external managers. Formal periodic performance updates are routinely required from all external fund managers. Positions are closely monitored. QIA undertakes a detailed review of all communications sent by the manager.

#### **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:**

QIA respects host country rules and regulations and fully adheres to specific disclosure and other regulatory requirements. Legal and Compliance departments oversee this function.

It is the policy of QIA to comply with all laws and regulations applicable in all jurisdictions in which it conducts business. QIA is committed to establishing and maintaining a reputation as an investment organisation committed to excellence in corporate governance and

operating at all times to the highest standards of professional conduct.

QIA is subject to a large number of rules and regulations both domestically and in the international jurisdictions in which it operates. Such laws and regulations include, but are not limited to, rules against money laundering, investment restrictions, exchange rules, tax regulations, foreign exchange regulations, anti-trust regulations, regulations relating to political contributions, company law and international sanctions and embargoes. Some laws and regulations will be more relevant for direct investments, others for investing in traded securities or in funds.

**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 QIA Board determines the high-level investment policy and goals of QIA. The QIA Chief Executive Officer is responsible for the executive management of QIA on a day-to-day basis.

Business decisions are the sole responsibility of the QIA Board and QIA's executive management. Qatar's government does not interfere in the QIA's investment, divestment or other business decisions.

Article 16 of the QIA Constitution prohibits the QIA Chairman, any member of the QIA Board, the QIA Chief Executive Officer, or any of the QIA's officers, from having any personal interest, direct or indirect, in the contracts concluded with or for the account of QIA or the enterprises it carries out.

**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:**

QIA's Board will decide the time and the extent to which more information on the fund's financial orientation and position will be made publicly available. There is no legal requirement for QIA to make public disclosure of such information. However, from time to time, senior executive management may make public comment on certain aspects of the operations of QIA or its principal operating subsidiaries.

QIA complies with all public disclosures for regulatory compliance purposes. QIA's website shows some information about QIA's investments.

**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:**

QIA seeks to achieve real long-term investment returns without exposing itself to undue levels of risk. QIA benefits from significant positive cash flow and has no liabilities. Certain investments, for example in funds or real estate, may involve leverage at the fund level, as determined by the fund manager. Ordinarily, QIA's positive cash flow allows it to operate without engaging in leverage.

QIA manages its investments with a blend of internal and external investment management resources. QIA uses its internal investment management resources in areas where it has particular expertise; otherwise, it will use external investment management resources. QIA is actively developing its internal investment management resources further.

A new publicly available Annual Review highlights the investment strategy of QIA (to be issued soon).

**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:**

QIA is committed to pursuing its strategic investment mandate based purely on economic and financial objectives. No part of QIA's strategic investment mandate, or its execution, is motivated by considerations of a political nature. QIA does not include other factors in its investment execution and management processes, save where it is possible within QIA's

overall economic and financial strategy, QIA will include considerations of an environmental and/or humanitarian nature.

QIA manages its assets and delegated investment managers with diligence and care. Each investment decision is considered in the context of the overall portfolio, and not in isolation, as part of the overall investment strategy to incorporate a reasonable risk and return in line with QIA's mission and investment objectives.

**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:**

QIA does not receive privileged information other than those that may be granted to SWFs by recipient countries.

**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:**

QIA is fully conscious of the importance of the proper exercise of the voting rights of a shareholder as a tool of effective corporate governance. QIA is an attentive and active shareholder and will usually be represented at meetings of shareholders of companies in which it has a significant investment. In this regard, QIA is motivated only by the responsibilities flowing from the discharge of its Mission strictly within economic and financial objectives.

QIA believes that its exercise of rights of ownership is very transparent and for listed companies is publicly available.

**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:**

Risk management practices at QIA have been expanded to cover all aspects of financial and operational risks and to adhere to high standards of risk management. At end-2012 the Board Risk and Governance Committee was established to oversee all aspects of Risk Management including associated internal governance practices, policies and procedures.

The Head of Risk Management Department is a member of the Management Investment Committee.

QIA Risk Management Framework is described in a new publicly available Annual Review (to be issued soon).

**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:**

The executive management team in QIA prepares detailed monthly performance reports and financial statements on all investment portfolios on a consolidated basis, all of which are provided to the QIA Board. On an annual basis, along with the consolidated annual report and consolidated audited financial statements provided to the SCEAI, detailed performance reports are also provided. Performance reports show performance returns on all investments, analysed and benchmarked using various methodologies, including by asset class, by peer group, by sector, by asset manager and by portfolio, etc. These reports, as well as information on specific benchmarks, are confidential. Performance reports are prepared on a monthly basis.

**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 Risk Management, Legal and Governance departments review progress and compliance with the Santiago principles on an annual basis.

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**Links**

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