



Santiago Principles Self-Assessment

Kuwait Investment Authority

[Fund Details](#) ^[1] [Fund Website](#) ^[2] [Search Assessments](#) ^[3]

— 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:

KIA traces its roots to the Kuwait Investment Board that was established in 1953, eight years before Kuwait's Independence. In 1982, KIA was created by Law No. 47 as an autonomous governmental body responsible for the management of the assets of the country. <https://www.kia.gov.kw/about-kia/> ^[4]

Law 47, Article 1 states: "An independent public authority shall be established with juridical status to be named the "Kuwait Investment Authority" and be attached to The Minister of State for Economic Affairs and Investments. The seat of the authority shall be in the State of Kuwait and it may set up offices outside the State of Kuwait.

KIA provides regular and frequent reports to the following concerned parties:

- The Minister of State for Economic Affairs and Investments
- The Council of Ministers
- The National Assembly (Parliament)
- KIA's Board of Directors
- The Chairman and the Executive Committee of KIA's Board of Directors
- The Independent State Audit Bureau (whose on-site personnel also provides an ongoing monitoring)

Senior representatives of KIA report periodically to the National Assembly's various committees (including the Finance and Economic Committee; Budgetary and Closing Accounts Committee; and Public Funds Protection Committee) to discuss any issues raised by the State Audit Bureau.

Principle 2 Description:

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

Principle 2 Implementation:

As per law 47, Article 2:

“The objective of the Authority is to undertake, in the name and for the account of the State of Kuwait, the management of the General Reserve Fund, the monies allocated for the Future Generations Fund, as well as such other monies that The Minister of State for Economic Affairs and Investments may entrust the Authority with its management.”

KIA aims to achieve a rate of return on its investment that, on a three-year rolling average, exceeds its composite benchmarks (see GAPP 19).

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:

KIA plays a pivotal role in the local economy. It directs and manages the State’s contributions and shares in various major economic entities.

KIA maintains an active involvement with economic and financial developments in Kuwait. It promotes and supports institutionalization of the market through setting up funds and companies to promote and finance local business, and participates in the launching of local investments that have feasible economic returns.

KIA’s role in the local economy is disclosed on its website.

KIA helps develop the role of local financial companies by giving them the opportunity to manage some of its investments locally and abroad. The private sector’s regeneration is maintained through privatization programs that KIA is committed to undertake. KIA has recently set up several companies as a requirement by a statute enacted by the Kuwait’s National Assembly (Parliament), primarily to promote investment in Kuwait.

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:

The GRF is the main treasurer for the Government and receives all revenues (including all

oil revenues) from which all State budgetary expenditures are paid. Since the GRF is the repository of all income of the State of Kuwait, all State budget expenditures are paid out of the GRF and sanctioned by law.

The FGF was established in 1976 with 50% of the GRF Balance. In the past, the FGF received a minimum of 10% of all State revenues as well as 10% of the net income of GRF on annual basis.

According to [Law 18/2020](#) ^[5] the automatic 10% transfer each year from the General Reserves to the Future Generations Fund was amended so as to become a transfer only when there is a surplus in the budget and upon the recommendation of the Minister of State for Economic Affairs and Investments, see [Law 32/2021](#) below ^[6] with the amount to be transferred to be recommended by the concerned Minister at that time.

No assets can be withdrawn from the FGF unless sanctioned by law. All investment income are reinvested as required by Law No. 106 of 1976. The process of funding and withdrawals is outlined by law and publicly disclosed on KIA's website.

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:

KIA's investments are completely transparent to the State of Kuwait, which is responsible for protecting the interests of KIA's beneficiaries – the citizens of Kuwait.

Senior representatives of KIA report periodically to the National Assembly's various committees (including the Finance and Economic Committee; Budgetary and Closing Accounts Committee; and Public Funds Protection Committee) to discuss any issues raised by the State Audit Bureau.

- KIA also provides regular and frequent reports to the following concerned parties:
- The Minister of State for Economic Affairs and Investments
- The Council of Ministers
- KIA's Board of Directors
- The Chairman and the Executive Committee of KIA's Board of Directors
- The Independent State Audit Bureau (whose on-site personnel also provides an ongoing monitoring)

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:

Board of Directors: KIA is an independent public authority managed by its Board of Directors. The Board has complete independence in its decision making process.

By law, the Board members consists of:

- The Minister of State for Economic Affairs and Investments (Chair) [Ex-officio]
- The Minister of Oil [Ex-officio]
- The Governor of the Central Bank of Kuwait [Ex-officio]
- The Under Secretary of the Ministry of Finance [Ex-officio]
- And five other Kuwaiti Nationals from the private sector appointed by Amiri Decree.

At least three of the private sector appointees may not hold any other public office.

Managing Director and Executive Committee: The Board selects a Managing Director and his deputies, who may not (during their respective terms of office) undertake any work, with or without pay, for any employer other than KIA. The Board also appoints an Executive Committee that is composed of five Board members, of whom at least three are taken from private sector appointees to the Board and that is chaired by the Managing Director. The primary role of the executive committee is to assist the Board of Directors in setting the strategic goals and objectives of KIA.

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:

As the owner, State of Kuwait set the objective of KIA as per Law 47, Article 2:

“The objective of the Authority is to undertake, in the name and for the account of the State of Kuwait, the management of the General Reserve Fund, the monies allocated for the Future Generations Fund, as well as such other monies that The Minister of State for Economic Affairs and Investments may entrust the Authority with its management.”

KIA aims to achieve a rate of return on its investment that, on a three-year rolling average, exceeds its composite benchmarks by designing and maintaining an asset allocation consistent with its mandated return and risk objectives, selecting investments and investment managers with the ability to outperform the respective index for each asset class and making tactical changes to the asset allocation without adversely altering the aggregate so as to benefit from emerging economic and market trends.

KIA endeavors to be a world-class investment management organization committed to continuous improvement in the way it conducts business by contributing to the formation of

human capital in Kuwait by attracting talented and ambitious young Kuwaitis, participating in the growth of the investment sector in Kuwait and reinforcing sound corporate governance, transparency in all operations, and fair business dealings in Kuwait by holding our business associates and portfolio companies to the highest ethical standards.

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:

KIA is an independent public authority managed by its Board of Directors. The Board has complete independence in its decision making process. The Board selects a Managing Director and appoints the Executive Committee. The Executive Committee is chaired by the Managing Director and is responsible for assisting the Board of Directors to set strategic goals and objectives for KIA.

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 Managing Director, with the assistance of the Executive Committee, implements the strategy set by the Board of Directors. The execution of the strategy is delegated to the various sectors within the KIA by the Managing Director and overseen by him.

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 Managing Director delegates the execution of the strategy to various sectors within KIA and monitors ongoing activities through ongoing engagement with the stakeholders and regular reporting provided on a monthly basis. The regular reports track the implementation of the investment decision and outcomes of these decisions. These findings are presented to the Board of Directors by the Managing Director on a regular basis.

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:

KIA's Operations Departments prepares annual financial statements following the conclusion of each fiscal year. In addition, investment performance and risk is reported on a quarterly basis by the Risk Management and Performance Measurement Unit. These reports reflects KIA's investments accurately and are audited regularly and are in line with International Financial Reporting Standards (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:

KIA is audited regularly by the following:

External Audit: KIA's managed accounts are audited annually by one of the "Big Four" independent audit firms. The External Auditor reports directly to the Board of Director of KIA.

Board Audit Committee: There is a Board Audit Committee comprising of two private sector Board members. The Board Audit Committee is chaired by the Under Secretary of the Ministry of Finance. The Managing Director is invited to attend the Board Audit Committee meetings as an observer.

Internal Audit: In addition to the external auditors, KIA has an Internal Audit Office that reports directly to the Chairman of the Board of Directors. Internal Audit Department conducts regular audits for all KIA departments.

Civil Service Commission: The Civil Service Commission assigns on-site personnel to ensure KIA's compliance with all administrative and human resources requirements as a public sector entity.

Ministry of Finance: The Ministry of Finance assigns on-site Controllers to ensure that all administrative expenditures are in compliance with internal rules and regulations and is within approved guidelines.

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:

During the April 2006 reorganization of KIA, the Consultants also established a Code of Conduct for each staff member at KIA. This is comprehensive manual that each staff member, especially in managerial positions, has to agree to in writing. The Code of

Conduct is maintained under the supervision of the Director for Legal and Compliance (KIA's General Counsel).

KIA is a performance-oriented, government-owned institution committed to delivering international standard investment returns and excellence in the way it does business. It is by this standard, and those listed below, that KIA is to be judged:

- Integrity
- Social Responsibility
- Rules and Procedures
- Empowerment and Accountability
- Communication and Team Work
- Knowledge
- Due Diligence
- Decision Making
- Leadership
- Guidance

In addition, KIA publicly complies with professional internal and ethical code of conduct. It includes complying with One Planet Framework as well as endorse the Taskforce on Climate-Related Financial Disclosures (TCFD).

For more information please visit: <https://kia.gov.kw/about-kia/> ^[7]

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:

Any third-party relationships are established based on economic and financial grounds. Appointment is conducted through a formal shortlisting and Request for Proposals process based on pre-determined criteria. Once established, any third party relationships are governed by the service level agreements, investment management agreements and contracts signed.

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:

KIA conducts its investment activities in compliance with all applicable host country rules and regulations as well as bilateral agreements between Kuwait and the respective host countries.

KIA's Legal and Compliance Department oversees this principle; safeguarding KIA as a legal entity pursuant to applicable laws whilst ensuring compliance with host country rules.

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:

KIA's governance framework and objective are publicly disclosed and freely available on KIA's website.

For more information please visit:

[About – Kuwait Investment Authority](#) ^[8]

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:

KIA's investments are completely transparent to the State of Kuwait, which is responsible for protecting the interests of KIA's beneficiaries – the citizens of Kuwait.

Senior representatives of KIA report periodically to the National Assembly's various committees (including the Finance and Economic Committee; Budgetary and Closing Accounts Committee; and Public Funds Protection Committee) to discuss any issues raised by the State Audit Bureau.

- KIA also provides regular and frequent reports to the following concerned parties:
- The Minister of State for Economic Affairs and Investments
- The Council of Ministers
- KIA's Board of Directors
- The Chairman and the Executive Committee of KIA's Board of Directors
- The Independent State Audit Bureau (whose on-site personnel also provides an ongoing monitoring)

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:

KIA's investment policy and guidelines provide the framework around the investment objectives and the implementation process.

As clearly stated in the investment policy and guidelines, KIA is a commercially driven entity, which invests only in the projects which have clearly defined profitability targets. KIA does not invest in sectors where gambling and alcohol-related activities constitute the main source of business.

KIA has a long term investment horizon and has the ability to bear risk and accommodate short term volatility. KIA does not borrow for investment purposes as this is prohibited by Kuwait's Constitution.

KIA's policy regarding internal/external management is also clearly stated in the investment policy. Accordingly, KIA invests funds through External Fund Managers outside of Kuwait. On the other hand, Kuwait Investment Office in London trades directly. Also, KIA has created a series of specialized standalone entities to invest in certain asset classes on its behalf. Some of these entities are as follows:

- St. Martins for real estate investments in UK and global. Based in London, UK.
- Fosterlane/Breadstreet for real estate investments in the USA. Based in Atlanta, USA.
- Wren House Infrastructure. Based in London, UK.

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:

KIA has clear guidelines and a strategy in terms of asset allocation (both regional and asset class), that are regularly reviewed and updated. The Strategy is reviewed by KIA's Executive Committee to the Board on a monthly basis and is updated every 3-5 years by KIA's Board of Directors.

FGF consists of investments outside Kuwait based on an approved Strategic Asset Allocation in various asset classes. KIA's asset allocation process is based on World GDP contributions and Market Capitalizations. Exceptions to this rule are those countries where the weighting was skewed due to core holdings such as BP and Daimler. FGF aims to achieve a rate of return on its investment that, on a three-year rolling average, exceeds its composite benchmarks by:

Designing and maintaining an asset allocation consistent with its mandated return and risk objectives.

Selecting investments and investment managers with the ability to outperform the respective index for each asset class.

Making tactical changes to the asset allocation without adversely altering the aggregate so as to benefit from emerging economic and market trends.

GRF, on the other hand, is the main treasurer for the Government and receives all revenues (including all oil revenues) from which all State budgetary expenditures are paid. The GRF also holds all government assets, including Kuwait's participation in public enterprises as well as Kuwait's participation in multilateral and international organizations. GRF focuses its investment in MENA region. In addition to the goal of achieving a rate of return that exceeds its benchmark, GRF plays a pivotal role in the local economy as documented in its investment policy and guidelines and disclosed on KIA website:

KIA, through GRF, directs and manages the State's contributions and shares in various major economic entities.

GRF maintains an active involvement with economic and financial developments in Kuwait. It promotes and supports institutionalization of the market through setting up funds and companies to promote and finance local business, and participates in the launching of local investments that have feasible economic returns.

GRF helps develop the role of local financial companies by giving them the opportunity to manage some of its investments locally and abroad. The private sector's regeneration will be maintained through privatization programs that KIA is committed to undertake.

GRF provides liquidity to the State's Treasury when needed.

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:

KIA as the world's oldest SWF has maintained its extremely high ethical, legal, and compliance standards over the past 66 years and will continue to do so in the future.

Therefore, KIA does not nor will it ever seek or take advantage of privileged information or inappropriate influence by the government.

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:

KIA does not seek to purchase majority or controlling interests in the companies in which it invests, other than shares in real estate investment entities and in investment holding companies that it establishes for particular transactions.

KIA exercises its voting rights in the manner that it believes will protect the financial interests of KIA, and to the extent KIA votes for the election of any Board members of a portfolio company, such Board member will be subject to all the obligations of Board members under applicable laws.

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:

The Board, Executive Committee of the Board and Senior Management are provided with a comprehensive Risk and Performance Management tools and reports to make informed decisions and assess KIA's investment performance and risk exposures against preset targets in the strategy.

Since 2008, KIA centralized the investment performance and risk management function within Risk Management and Performance Measurement Unit (RPU), which reports directly to the Managing Director.

KIA's performance and risk management systems and processes are subject to the review by the two independent accounting firms that audit KIA.

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 Board, Executive Committee of the Board and Senior Management are provided comprehensive regular reports that assess KIA's investment performance and risk exposures against preset targets in the strategy. The regular investment performance and risk reports are submitted and presented to the State of Kuwait as the beneficial owner of the funds. Also, the elected representatives of the National Assembly are regularly informed, at least annually, of KIA's investments and investment performance.

The regular reports include, quarterly basis performance and risk reports of the total FGF and GRF as well as various composites and mandates based on Global Investment Performance Standards (GIPS). Also, on a monthly basis, the RPU collates and ranks all of the external fund managers (including the KIO) based on the relative performance for both the FGF and the GRF.

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:

KIA strongly advocates for the voluntary application of the Santiago Principles and will continue to review the implementation of the GAPP within the institution.

[1] <https://www.ifswf.org/node/448> [2] <https://www.kia.gov.kw/> [3] <https://www.ifswf.org/assessments>
[4] <https://www.kia.gov.kw/about-kia/>
[5] <https://www.kia.gov.kw/wp-content/uploads/2020/09/%D9%85%D8%B1%D8%B3%D9%88%D9%85.pdf>
[6] <https://www.kia.gov.kw/about-kia/#:~:text=%C2%A0%20Law%2032%20for%20year%202021>
[7] <https://kia.gov.kw/about-kia/> [8] <http://www.kia.gov.kw>