



جهاز الاستثمار العُماني

Oman Investment Authority

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:

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

1.1 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.

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

[Royal Decree 57/2021 \[in Arabic\]](#) ^[5] 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 summarized as:

Managing, developing, and investing the money and assets of the Sultanate to achieve the greatest returns.

Creating financial reserves

Contribute to providing the revenues necessary to supplement the general budget and achieve overall financial sustainability.

Contribute to the implementation of government policies and strategies related to the advancement of the targeted economic sectors.

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 the domestic fiscal and monetary authorities through official representation in various committees such as the Monetary and Stability committee at the Central Bank of Oman as well as 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 specify the government requirements in relation to funding and withdrawals. The National budget is normally issued via Royal Decree, e.g. No. 2/2022. It is written in Arabic and can be found on www.qanoon.om [6]

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

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

The funds allocated to OIA in the state's general budget.

Surplus realized at the end of any fiscal year in the state's general budget.

Investment returns of its investments.

Funds and other assets that His Majesty the Sultan allocates to the fund.

These are also published in the Official Gazette.

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

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 quarterly 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 of Directors and an Executive Management, with distinctive roles. The Board is appointed by Royal Decree. Article 9 of the Royal 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.

OIA has a Governance, Risk and Compliance Department in place and OIA's Corporate Governance Manual is in place and periodically reviewed.

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.

The Board of Directors are appointed through a Royal Decree who are responsible to exercise oversight over the Authority.

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:

Royal Decree 61/2020 appoints the Board of Directors of the Authority. The membership of a Board member shall be four (4) years, renewable for a similar period or periods. The Board consists of Ministers and Undersecretaries of Oman and an independent member. The members are selected based on competencies, expertise and relevance to the role. The Board members are:

Minister of Finance

Undersecretary of Oman's Ministry of Finance

Executive President of Capital Markets Authority

Undersecretary of Oman's Ministry of Economy

Independent member from Iceland

Royal Decree 57/2021 specifies how the Authority will operate and defines its purpose. The objectives of OIA are as follows:

Managing, developing, and investing the money and assets of the Sultanate to achieve the greatest returns.

Creating financial reserves

Contribute to providing the revenues necessary to supplement the general budget and achieve overall financial sustainability.

Contribute to the implementation of government policies and strategies related to the advancement of the targeted economic sectors.

Enhancing the investment environment and attracting investment to the Sultanate.

The Corporate Governance Manual states the written and approved Terms of Reference (Charter) for the Board of Directors, Audit Committee and various other Management Committees. Both the board and the committees have independent members.

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 management implements the strategies in an independent manner as described in Royal Decree 57/2021, Article 6, which authorizes the Authority to undertake all functions necessary to achieve its objectives.

Royal Decree is available through the [Ministry of Justice and Legal Affairs website](#) [7].

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 in place and reviewed and approved by the Board of Directors every two years or

when deemed necessary.

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:

OIA's annual financial statements are compiled in accordance with International Financial Reporting Standards (IFRS) and audited by the Big 4 Audit Firms on semi-annual basis.

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:

OIA's financial statements are audited annually in accordance with IFRS when preparing the financial statements and are audited by Big 4 Audit Firms.

We have an Internal Audit Department in OIA which reports directly to the Audit and Risk Committee.

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:

OIA's Code of Business Conduct sets out business ethics such as Conflicts of Interest, Related Party Transactions, Personal Investment Trading, Gifts and Business Entertainment, Responsibilities under the Code and Observation of the Code. OIA staff declare on annual basis their understanding, compliance with the Code as well as declare any conflict of interest and 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:

OIA has a clear process for appointing any third parties in the Administration and Procurement Policy and Procedures approved by the Board of Directors. The process includes creation of purchase requisition, purchase order, tendering and obtaining three quotations, technical and financial evaluation and contract management in line with the

Delegation of Authority Manual.

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:

Regular compliance reviews are conducted by Compliance Team 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 which has the ultimate authority to approve all OIA operational matters. This is stated in Royal Decree, Article 1 and can be accessed from [the provided link](#) [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:

OIA's Annual Report detailing the asset allocation, geographical allocation and historical returns is published on the [OIA Website](#) [9].

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 policy that governs OIA investment activities, which include risk tolerance. We also have an approved risk policy and risk appetite statement.

18.1. This is included in the OIA investment policy which is approved by the Board of Directors.

18.2. OIA's investment policy includes the breakdown of internal versus external allocations in public and private 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.

18.3. A high-level investment strategy is published in OIA website and OIA Annual Report.

Link to the [OIA website](#) ^[10]

Link to the [OIA Annual Report](#) ^[11]

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:

OIA Asset Allocation framework is structured to optimize the funds return in a risk adjusted return. Post Royal Decree 57/2021, OIA Board of Directors has approved the investment policy.

19.1. OIA investment decisions are based on the objectives set out in the Royal Decree 57/2021 (as stated in Principle 2 above) and stated in the OIA Annual Report.

[Link to the OIA Annual Report](#) ^[11]

19.2. The management of OIA assets is stipulated through sound asset management principles described in the Investment Policy and the Investment Process Guidelines. The Board and the Investment Committee are presented with performance reports.

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:

Divestment Strategy for OIA Entities states, 'In alignment with Oman's 2040 vision, the government aims to empower the private sector's role in leading a competitive economy and enhancing its contribution to the national economy, whilst limiting the government's role to a regulator'.

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 a significant stake (greater than 2% of issued share capital) in the majority of its publicly listed investments. Therefore, OIA prefers to be a passive investor. For private markets investments, the majority of OIA listed investments where it has insignificant holding, we will vote in our best economic interest and in line with best corporate governance practices.

For the National Companies, we use proxy voting after internal process and obtaining approval as per the Delegation of Authority. The general approach on nominating board members is stated in OIA Code of Governance and OIA has established a platform for OIA Companies Board membership 'Thiqat' which can be accessed through the link www.thiqat.oia.gov.om ^[12]

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 has a risk and compliance policy. OIA follows the COSO Enterprise Risk Management Framework across the entire organization and ISO 31000 for its processes.

22.1. The governance, risk and compliance team produces a quarterly risk report to the audit and risk committee. Internally, similar reports are produced weekly and monthly and circulated to the concerned departments for further discussion. We also have in place the 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. 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.

22.2. The OIA website [13] provides a brief note with regards 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 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 Governance, Risk and Compliance department undertakes regular reviews to ensure the Santiago Principles are implemented.

Source URL (modified on 2023-09-19 18:28):<https://www.ifswf.org/assessment/oia-2022>

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>
- [6] <http://www.qanoon.om>
- [7] <https://www.mjla.gov.om/eng/legislation/decrees/details.aspx?Id=1364&type=L>
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- [9] <https://www.oia.gov.om/Index.php?r=en%2Fsite%2Fpages&slug=AnnualReport+&csrt=150527071521084>
- [10] <https://www.oia.gov.om/Index.php?r=en%2Fsite%2Fpages&slug=our-investment>
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