

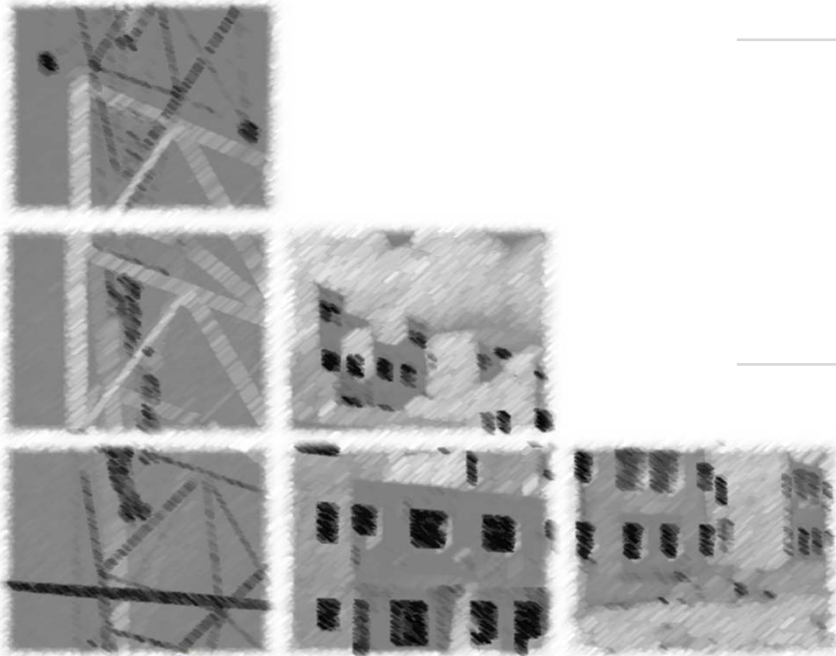
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# Implementation of Santiago Principles

September 2015

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## Contents



- *Palestine Investment Fund*
- *Santiago Principles*
- *Areas for Improvement*

# Palestine Investment Fund - Background

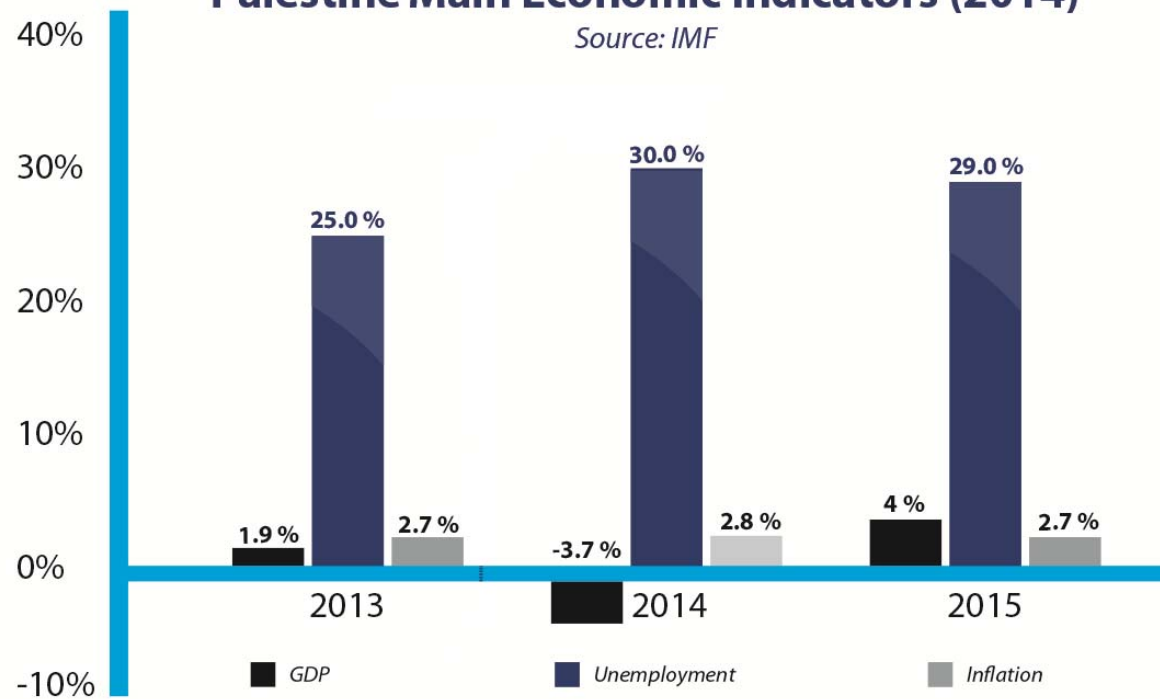


- Palestine Investment Fund (“PIF”) was established in 2002 and registered in 2003 as a public shareholding company owned by the Palestinian People
- PIF’s mission is to actively contribute to the building of a strong Palestinian economy independent of donor handouts and supported by a strong, dynamic and innovative private sector
- PIF’s originates and invests in economically feasible, socially responsible and developmentally sound strategic projects in vital and viable economic sectors in Palestine, in partnership with the private sector
- The majority of PIF investments are in Palestine, international investments are limited to capital market investments

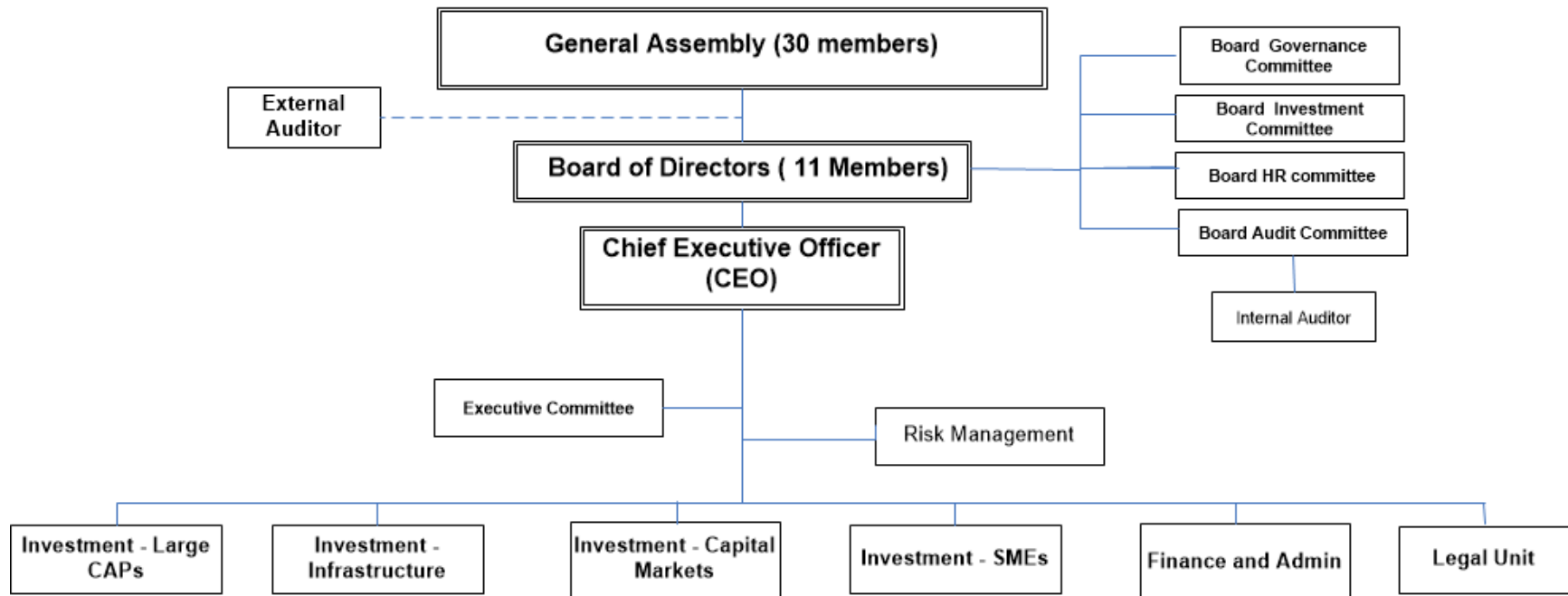
# Palestine Investment Fund – Palestinian Economy

## Palestine Main Economic Indicators (2014)

Source: IMF



# Palestine Investment Fund - Organization Structure

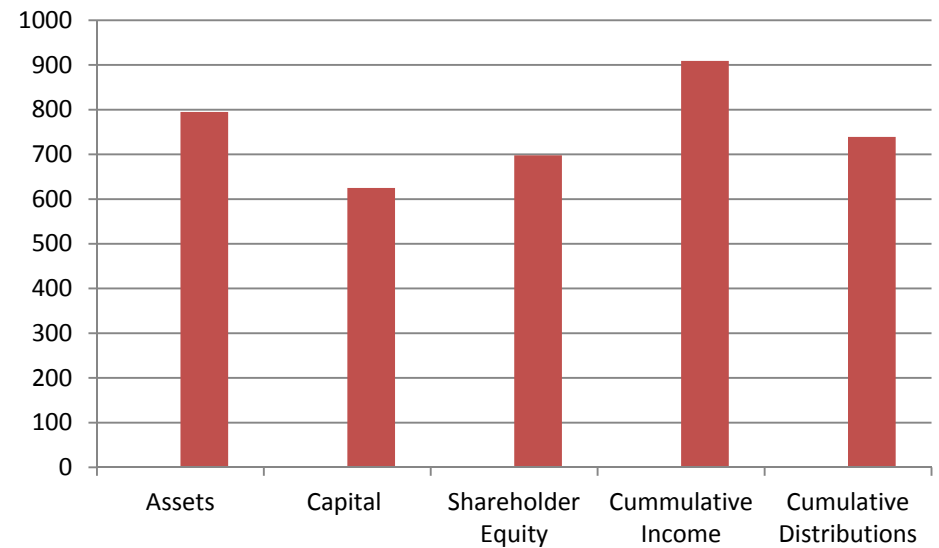


# Palestine Investment Fund – 12 years Performance



- Average return on capital USD 12%
- Average return on equity 10.8%
- Average return on assets 9%

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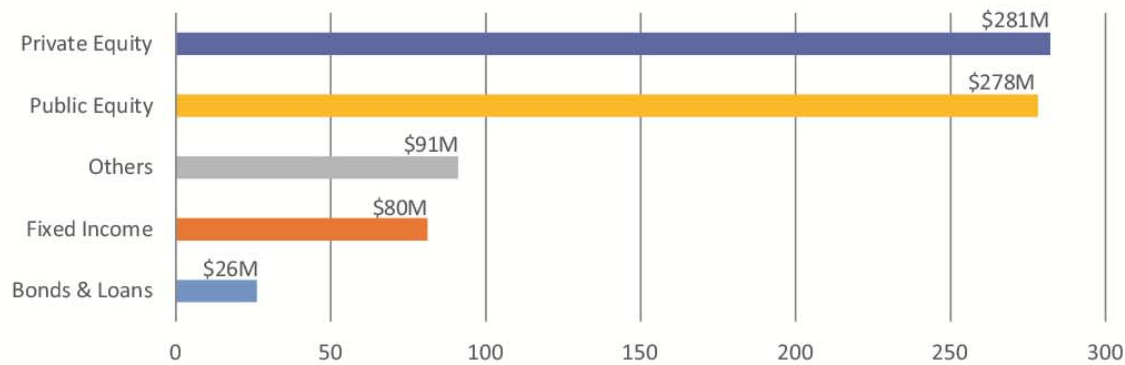


# Palestine Investment Fund – Investment Portfolio

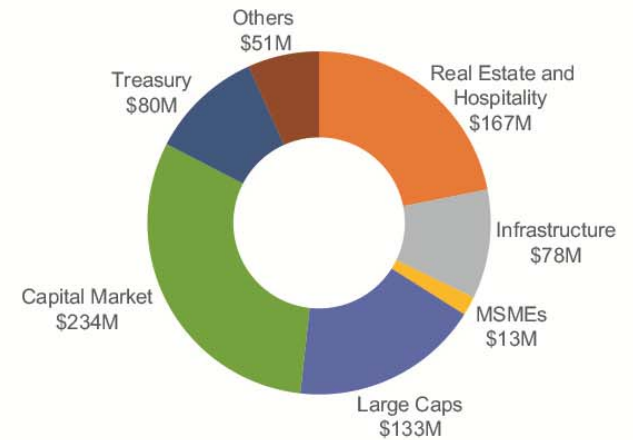


## Investment Portfolio

Allocation by Investment Class



Allocation by Investment Sector



# Palestine Investment Fund – Governance



Since inception, PIF has been very committed to building a strong governance system and adhering to best practices focusing on:

- *Maintaining financial and administrative independence*
- *Maintaining business orientation*
- *Building strong governance structure*
- *Maintaining transparency and disclosure*



## Santiago Principles – The Assessment



- *The self assessment was completed as part of the membership application earlier this year*
- *First time full assessment of PIF*
- *PIF was in compliance with most principles prior to joining the IFSWF*

## Santiago Principles: Pillar 1



- *Legal framework*
- *Objectives*
- *Coordination with macroeconomic policies*

# Santiago Principles: Pillar 1



## 1. Legal framework supporting effective operation and achievement of objectives

- *Registered as a public shareholding company*
- *Subject to Palestinian corporate law*
- *Independent Board of directors*
- *Independent General Assembly*

## 2. Clearly defined and disclosed policy purpose

- *Promote sustainable economic growth and private sector development in Palestine*
- *This objective is publicly disclosed in PIF's annual reports and website*

## Santiago Principles: Pillar 1



### 3. Coordinate activities with macroeconomic implications with related authorities

- *No direct impact at the macroeconomic level*
- *Work in partnership with private sector*
- *Attract regional and international investors*

### 4. Clear and disclosed policies related to funding, withdrawal, and spending operations

- *Established thought consolidation of PA's commercial assets and investments*
- *No additional contributions from owner and assets grow through reinvestment of return*
- *Dividends are based on BoD recommendation and GA approval*

## Santiago Principles: Pillar 1



5. Relevant statistical data is reported on a timely basis

- *Multiple level of reporting*
- *Monthly reports to executive management*
- *Quarterly reports to the Board*
- *Annual reporting including audited financial statements are available for general public through annual report and PIF's website*

## Santiago Principles: Pillar 2



- *Institutional arrangements*
- *Governance structure*

## Santiago Principles: Pillar 2



6, 7 &8. Sound governance framework, owners responsibilities, and governing bodies mandate

- *Governance manual and bylaw set the overall governance structure, authority matrix, the appointment and responsibilities of governance bodies*
- *Additional requirement are set by the Palestinian Companies law*
- *Independent General Assembly selected from; business community, academia, regulatory agencies and civil society*
- *Independent Board of Directors comprises of reputable businessmen and experts in finance, management and governance*
- *Active Board committees; governance, audit, investment, and Human Resources*

## Santiago Principles: Pillar 2



9 &10. Management implement strategies independently in accordance with clearly defined responsibilities, with clearly defined accountability framework

- *The Board approves strategy, annual business plan, assets allocation, and significant investment decisions*
- *The Board approves internal policies and procedures manuals and authority matrix*
- *Executive management team execute the investment strategy, manage the daily operations, in accordance with the approved policies and procedures*
- *Governance manual, bylaw and Companies law set the accountability framework*



## Santiago Principles: Pillar 2



### 11&12. Timely preparation of annual reports and audited financial statements

- *A full set of financial statements is issued within 90 days of year end*
- *Financial statements are prepared in accordance with IFRS*
- *Financial statements are included in the annual report and posted on the website*
- *Financial statements are audited by an international audit firm*
- *PIFs operations, activities and accounts are subject to internal audit by the internal audit unit and an international audit firm with reporting to the audit committee.*
- *PIF is subject to audit by the state auditor*

## Santiago Principles: Pillar 2



13. Professional and ethical standards are clearly defined and made known

- *Governance manual set the general professional and ethical standards*
- *Operational policies and procedures manuals set function specific standards*
- *CFA Institute Code of Ethics and Standards of Professional Conduct apply to the investment team*

## Santiago Principles: Pillar 2



14. Dealing with third parties is based on economic and financial grounds, and clear rules and procedures

- *PIF has clear rules to guarantee that transactions are based on economic and financial grounds when dealing with third parties*
- *Investment manual provides detailed requirements and process for selection of external fund managers*
- *The procurement policies and procedures manual sets criteria for fair and transparent tendering procedures*

15. Compliance with regulatory and disclosure requirements of host countries

- *Investments in international capital markets are made through reputable fund managers to ensure compliance with requirements*

## Santiago Principles: Pillar 2



16& 17 Public disclosure of governance framework, objectives, management independence, and relevant financial information

- *PIF governance framework, objectives, investment and financial and other information are fully disclosed*
- *PIF uses a number of venues to disclose relevant information including;*
  - Annual report
  - Website
  - Press releases

## Santiago Principles: Pillar 3



- *Investment policy framework*
- *Risk management framework*

## Santiago Principles: Pillar 3



18.& 19. Clear investment policy, and investment decisions that based on economic and financial grounds

*Investment framework that is consistent with PIF objectives. Highlights of the framework include:*

- *Originating and investing in strategic projects*
- *Feasible investments with developmental impact*
- *Partnership with private sector*
- *Highly liquid investments in foreign capital markets*
- *Limit the use of derivatives to hedging currency positions*
- *Limit the use of external fund managers to international capital markets*
- *Subject investment opportunities to detailed analysis and assessment*

## Santiago Principles: Pillar 3



20. Should not take advantage of privileged information and compete with private entities

- *A separate legal entity with independent BoD and GA*
- *Partnership with private sector*
- *Subject to the Palestinian companies law and tax laws*

21. View shareholder ownership rights as a fundamental element of equity investments

- *No documented policy on shareholder ownership rights*
- *Ownership rights are exercised only in local investments with the primary objective of protecting the financial interests of PIF and the general shareholders*
- *Passive approach for international investments*

## Santiago Principles: Pillar 3



### 22. Risk management framework

- *Risk Management is an integral part of operations*
- *Embedded in all functional activities via policies, processes and system controls*
- *Financial risks are managed at the portfolio level*
- *Operational risks are managed at the unit level*
- *Legal and reputational risks are managed at the executive level*



## Santiago Principles: Pillar 3



### 23. Clearly defined assets and investment performance measurement and reporting

- *Monthly internal reporting*
- *Quarterly reports to the Board of Directors*
- *The annual reports, including audited financial statements*

### 24. A process of regular review of the implementation of the GAPP

- *Our first self-assessment will be completed by end of 2015*
- *A self assessment review will completed annually*

## Areas for Improvement



As a result of the assessment the following areas have potential for improvement:

- *Performance measurement and reporting*
- *An entity level risk management framework*
- *A comprehensive code of conduct*

***Thank You***

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