



# FONSIS 2019

Fonds Souverain d'Investissements Stratégiques S.A.

## Pillar 1: Legal

Legal framework, objectives, and coordination with macroeconomic policies

### Principle 1

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.

There is no specific legal framework for sovereign wealth funds in Senegal.

FONSIS was created under the Founding Legislation n° 2012-34 voted in Parliament on 27 December 2012. The Law is publicly disclosed in the Government Official Journal and available online at this link <http://www.jo.gouv.sn/spip.php?article9611>

This Law was used as the basis to incorporate FONSIS and to draft the Articles of Associations of the Fund as a legal entity under private law.

As such, FONSIS is a limited liability corporation ("Société Anonyme" or "S.A.") fully compliant with private business law of OHADA, the Organisation for the Harmonization of Business Laws in Africa, as is the case for any other private company in Senegal, the latter being a member-state of OHADA <http://www.ohada.com/>.

FONSIS is therefore incorporated under private OHADA business law, and the State of Senegal is the sole shareholder at the moment. The 2012-34 Law and the Articles of Association do however provide for other state-owned entities or governmental agencies to become shareholders if needed. The Articles of Associations are readily available to the general public, at the Registry of the Commercial Court of Dakar, as is the case for any other company created under local, private law.

As a limited liability corporation and under private OHADA business law (more specifically the Uniform Act on Commercial Companies and the Economic Interest Group ("Uniform Act"), FONSIS has a Board of Directors ("BoD"), a Chairman and Chief Executive Officer ("CEO"). The BoD, the Chairman and CEO are nominated by the Head of the Government of Senegal (the President), either by presidential decree or during the council of ministers. Once nominated, they are part of the governing bodies of the Fund. The BoD, the

Chairman and the CEO execute their missions and duties in accordance with The 2012-34 Founding Legislation of FONSI and to the Uniform Act, which is available to the public in this link <http://www.ohada.com/actes-uniformes/1299/uniform-act-on-commercial-companies-and-the-economic-interest-group.html>.

Once nominated and confirmed by the BoD in accordance with the Uniform Act, the CEO recruits a team of investment and finance professionals who all participate in the management of the Fund on behalf of FONSI. The management and the operational teams are direct employees of the Fund.

## Principle 2

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

The policy purpose of FONSI is clearly defined in its Founding Legislation N° 2012-34 available to the public here <http://www.jo.gouv.sn/spip.php?article9611>

This law states that FONSI is created as a new instrument to be used to:

- Carry out a number of economic and social policies as set out by the Government of Senegal,
- Promote the role of the State, as an investor, partner and complement, not a substitute, of the private sector,
- Support direct investments, local and foreign, in order to accelerate the economic and social development of the country, by creating wealth and jobs for present and future generations.

The aim of this policy as stated in this Founding Legislation is to catalyse the economy and lay the foundations for a better organised, more competitive and emerging Senegal.

FONSI has two main objectives as stated in this Law:

- To be a “Strategic Fund” to boost private sector investments in Senegal;
- To be a “Sovereign Fund” in order to manage excess budget resources for the State of Senegal and preserve them for future generations.

Beyond these economic and financial objectives, FONSI plans clearly defines social and environmental objectives in its strategic plan.

## Principle 3

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.

Senegal does not have specific monetary policies as it is a member of the West African Economic and Monetary Union (“WAEMU”). As such WAEMU sets all monetary policies for its member states in accordance with the European Union as the Franc CFA, used in the WAEMU Zone, is pegged to the Euro.

Therefore, the focus on fiscal policies in Senegal. FONSI activities (funding, investment, spending, etc.) have an indirect impact on these policies through projects where FONSI becomes an investor. As such, FONSI works closely with the Ministry of Finance, in particular on flagship projects where the fiscal impacts can be significant.

The Ministry of Finance has at least 2 seats in the Board of Directors of FONSI. This allows the Ministry to follow closely all projects FONSI plans to invest in or have already invested in, to assess and monitor their

fiscal impacts and whether or not they are aligned with the country's fiscal policies.

Beyond the two directors representing the Ministry of Finance, there are directors representing the office of the Prime Minister and the office of the President. As such, all these government representatives in the Board of Directors oversee all FONSI activities to ensure that they are aligned with the country's macro-economic policies.

#### Principle 4

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.

The sources of funding are publicly disclosed in Article 7 of the Founding Legislation 2012-34 <http://www.jo.gouv.sn/spip.php?article9611> as follows:

- Equity injection from the sole shareholder: the State of Senegal provides funding to FONSI, to cover its operational expenses and investments, by way of equity injections,
- Fundraising from local or foreign financial institutions,
- Asset allocations from the oil, gas and mining sectors (royalties), etc. that can be leveraged

Other than funding from its sole shareholder, FONSI can, therefore, raise funds by borrowing locally or internationally from banks or other financial institutions. As of 31 December 2018, FONSI has only borrowed from local banks in Senegal.

The funding from the State of Senegal is publicly disclosed and available every year when the Ministry of Finance published the country's annual budget once it is approved by the National Parliament. Other sources of funding are disclosed in the FONSI annual report.

The FONSI assets are not classified as international reserves.

The policies and rules to how the FONSI funds are spent are described in the company's procedure manuals within the accounting and finance department. The procedure manuals are yearly reviewed by FONSI external auditors.

#### Principle 5

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.

FONSI is currently reviewing its internal data collection in order to provide statistical data related to all its activities. Once the reporting is formalised, it will be communicated to all stakeholders including government reporting agencies. However, quarterly reporting on FONSI portfolio companies are shared with the Board of Directors, who represent the State of Senegal

#### Pillar 2: Institutional

Institutional Framework and Governance Structure.

#### Principle 6

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.

The Fund's governance structure establishes distinct roles and responsibilities in its management. These roles and responsibilities are summarised in the attached presentation titled "FONSIS organisational chart and governance structure".

The Fund's owner being the State of Senegal, the operational team as described in the organisational chart manages the Fund according to FONSIS strategies and missions as described in the Law 2012-34. The decision-making and operational functions are allocated to the operational team as described in its articles 9 through 19. <http://www.jo.gouv.sn/spip.php?article9611>.

#### Principle 7

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.

The State of Senegal is the sole owner and shareholder of the Fund. As such, it provides share capital out of the national budget to cover the operating expenses of the Fund and some investments.

The objectives of the Fund are clearly set out by the State of Senegal in article 4 of the organic law <http://www.jo.gouv.sn/spip.php?article9611>.

As the sole shareholder, the State of Senegal has oversight over the Fund's activities by appointing representatives in the Fund's governing body i.e. the Board of Directors. Please see the attached presentation titled "FONSIS organisational chart and governance structure".

These appointments are done either by presidential decrees or during the council of ministers.

#### Principle 8

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.

The governing body of the fund is the Board of Directors.

Its roles and responsibilities are described in the publicly available FONSIS Founding Legislation 2012-34 <http://www.jo.gouv.sn/spip.php?article9611> in Article 13 as follows: "The Board deliberates on all measures concerning the management of FONSIS and defines the management and investment policy of the Fund. As such, it is responsible for the Fund's performance."

#### Principle 9

9. The operational management of the SWF should implement the SWF's strategies in an independent manner and in accordance with clearly defined responsibilities.

The roles and responsibilities of the Fund's operational management are defined in the same Founding Legislation 2012-34 <http://www.jo.gouv.sn/spip.php?article9611>.

The management – i.e. the operational manager – of FONSI is made of the Executive Team (CEO and Executive Directors) and the investment personnel. As such, they have a mandate from FONSI as employees, to manage the day-to-day operational activities of the Fund.

As such, the management team has to make investment decisions in line with the strategic direction set by the State of Senegal. However, all investment decisions have to be submitted to the Board's approval. Before making any disbursement for any investment, the Investment Committee is in charge of ensuring that the investment is fully compliant with the Board decision and authorisation. The Investment Committee is made of the Executive Team and 2 Board Directors.

When it comes to operational decisions related to human resources and finance, the Executive Team is independent in making decisions related to these topics, within the limits of the annual budget as approved by the Board of Directors, prior to the start of the year.

#### Principle 10

10. The accountability framework for the SWF's operations should be clearly defined in the relevant legislation, charter, other constitutive documents, or management agreement.

The accountability arrangements for the State of Senegal (sole shareholder of the Fund) the Board of Directors and the Operational Management are clearly defined in the FONSI Founding Legislation as follows:

- Article 9 and 10: Accountability arrangement for the State of Senegal
- Article 13, 14 and 15: Accountability arrangement for the Board of Directors
- Article 17: Accountability arrangement for the Chief Executive Officer

#### Principle 11

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.

An annual report and accompanying financial statements of FONSI operations and performances are prepared in a timely manner and in accordance with SYSCOHADA accounting standards. The accounts are audited and certified by a Top Tier Global Audit firm with an international signature.

#### Principle 12

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.

An annual report and accompanying financial statements of FONSI operations and performances are prepared in a timely manner and in accordance with SYSCOHADA accounting standards. The accounts are yearly audited and certified, based on SYSCOHADA accounting standards, by a Top Tier Global Audit firm with an international signature.

SYSCOHADA is the applicable accounting framework and standards in Senegal, as the latter is a member-state of OHADA. More information can be found in the following link <http://www.ohada.com/actes->



### Principle 13

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.

The criteria used to appoint members of FONSI Board of Directors and staff are described in the Founding Legislation 201-34. Indeed, they are defined by qualification requirements and subject to minimum professional standards.

FONSI has a code of conduct applicable to everyone and a Welcome Kit with responsibilities and duties that are handed to newcomers as they join the Fund.

Conflicts of interests are flagged during the KYC process and brought to the attention of the Board of Directors in an investment memorandum for a full assessment.

Protections – including in the form of indemnification or insurance – for FONSI Board Directors and Staff in the performance of their duties, are compliant with local laws and regulations.

### Principle 14

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.

There are clear policies and procedures when dealing with third parties. These are based on technical as well as financial grounds. All suppliers and service providers are for instance chosen from a minimum of three technical and financial offers for services or goods. There is a “Manuel des procédures d'achat et de réglementation des dépenses” that is published on the FONSI information sharing platform. This is a manual that regulates all operational expenses incurred by FONSI.

### Principle 15

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.

This is not applicable at the moment as FONSI only invests in Senegal, although it is allowed by Law to invest up to 25% of its financial resources abroad. When this becomes the case, FONSI operations and activities in host countries will be conducted in compliance with all applicable regulatory and disclosure requirements of the host countries.

### Principle 16

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.

In the Founding Legislation 2014-34 published here <http://www.jo.gouv.sn/spip.php?article9611>, Articles 4 and 9 - 20 define and publicly disclose FONSI objectives and governance frameworks.

More specifically, the fact that FONSI is incorporated as a limited liability company under OHADA Business Law guarantees the management's operational independence from FONSI's owner, the State of Senegal. Article 3 of the FONSI Founding Legislation 2012-34 states in its Article 3 that the Fund is run

according to OHADA Business Law, in particular, the Uniform Act on Commercial Companies and the Economic Interest Group which is publicly available at the following link <http://www.ohada.com/actes-uniformes/1299/uniform-act-on-commercial-companies-and-the-economic-interest-group.html>

## Principle 17

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.

FONSIS publicly discloses relevant financial information related to its operations in its annual report.

It also discloses in the same report, details about its asset allocation, benchmarks, and rates of return.

## Pillar 3: Investment

### Principle 18

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.

FONSIS Investment policy is defined in Article 6 of the Founding Legislation 2012-34 <http://www.jo.gouv.sn/spip.php?article9611> and is consistent with the Fund's objectives and risk tolerance.

By clearly defining the risk tolerance, this investment policy guides the use of leverage in order to strengthen the Fund's financial resources.

Apart from the Founding Legislation cited above, the investment policy is publicly disclosed on the FONSIS website as well: <https://www.fonsis.org/fr/qui-sommes-nous/notre-metier> and is reviewed on an annual basis.

External co-managers will be used only to manage non-FONSIS funds or assets, for instance when it comes to managing funds allocated to FONSIS by development finance institutions (DFIs) of other countries. As such, the process by which external managers are selected, how their performance is monitored and the scope of their interventions are defined as part of the Fund Management processes of FONSIS and publicly disclosed through open calls for expression of interests or procurement notices.

## Principle 19

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.

Investment decisions are made by FONSI based on the following criteria:

- Financial return (a minimum annual IRR of 12% over the investment period)
- Economic return for all stakeholders
- Environment, social and governance impact
- Any other criterion specific to a project

Therefore, the only factors that are neither financial nor economic that influence the FONSI investment decisions are those related to social and ESG impacts, such as number of jobs created, environmental impact, tax revenues generated, number of companies that are formalized as a result of our investment, etc. This is specifically mentioned in Article 11 of the Founding Legislation 2012-34

<http://www.jo.gouv.sn/spip.php?article9611> that states that FONSI can equally play the role of a socially responsible investor by making non-profit investments and actions, subject to Board approval.

Investment procedures are clearly defined, published on the FONSI information sharing platform and reviewed annually in order to ensure that the staff executes duties of care and diligence in their daily activities.

#### Principle 20

20. The SWF should not seek or take advantage of privileged information or inappropriate influence by the broader government in competing with private entities.

As all investment decisions are submitted to the Board of Directors, the latter ensures that the Management team has not used any privileged information in making investment decisions and has not benefited either from inappropriate government advantage over private competitors. This check will be also done by having members of the private sector represented in the Strategic Orientation Council of FONSI.

#### Principle 21

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.

The Fund's exercise of ownership rights is consistent with its investment policy and is always discussed and reflected in shareholders' agreements and other relevant legal documents prior to any investment.

As such, FONSI always discloses its approach to voting securities in these shareholder agreements, in accordance with OHADA Business Laws. As FONSI has to comply with OHADA, its approach to voting securities is the one as described by the Uniform Act, which is available to the public in this link <http://www.ohada.com/actes-uniformes/1299/uniform-act-on-commercial-companies-and-the-economic-interest-group.html>

In the Uniform Act, this approach has been structured in order to protect the financial value of all stakeholders' funds.

The general approach of FONSI to being represented on portfolio companies' boards is equally guided by the Uniform Act, which is available to the public in this link <http://www.ohada.com/actes->



[uniformes/1299/uniform-act-on-commercial-companies-and-the-economic-interest-group.html](http://uniformes/1299/uniform-act-on-commercial-companies-and-the-economic-interest-group.html) and is closely monitored by the FONSIS Legal team.

#### Principle 22

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 23

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.

FONSIS consistently measures and reviews the investment performance of its assets and portfolios on a quarterly basis, based on standards of investment performance measurement applicable in the sector.

The Fund's holdings and performance information are reported on a quarterly basis to the Board of Directors, who in return report to their respective governmental bodies within the State of Senegal.

#### Principle 24

24. A process of regular review of the implementation of the GAPP should be engaged in by or on behalf of the SWF.

FONSIS staff and personnel are all responsible for the implementation of the GAPP, under the responsibility and accountability of the Chief Executive Officer. As such, FONSIS is responsible for the preparation of the present self-assessment. The Fund will review on an annual basis the implementation and compliance to the GAPPs as part of its annual review of its Strategic Plan and Objectives.