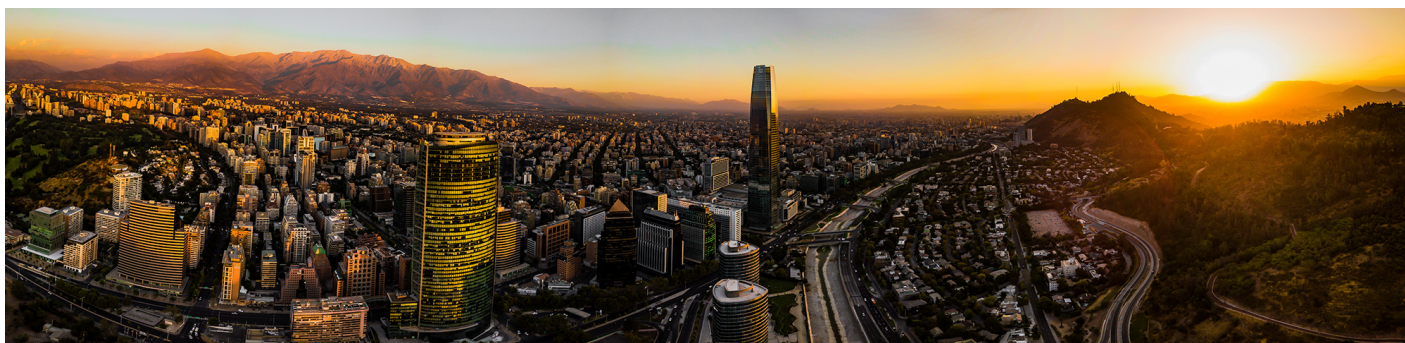




SFE 2022

The Sovereign Fund of Egypt

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.

Law 177 of 2018 establishing the Sovereign Fund of Egypt, stipulated that it is a sovereign fund which has an independent legal personality.

1.1. The law and the articles of association issued by Prime Ministerial decree number 555 of 2019 laid out the governance of the Fund, its resources, management of its investments and operations and their control measures. The law was amended by law 197 of 2020 converting the name to the Sovereign Fund of Egypt for Investment and Development and expanding the mandate to contributing to sustainable economic development through owning and managing its assets and managing assets for other entities according to international standards.

1.2. The legal basis and structure of the SFE and its relation with other government bodies is clearly stated in the Law and the Articles of Association which are published in the Official Gazette.

Principle 2

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

The mandate of the SFE is stated in law number 177 of 2018 and its amendment law number 197 of 2020 clearly states the objective of the Fund is contributing to the sustainable economic development of Egypt by means of the management of its funds and assets, and the assets with which the Fund is entrusted with its management of the bodies, entities and companies owned by the State or subsidiaries thereof, or in which the State owns shares according to the rules set forth in the Articles of Association; and achieving the optimum utilisation of the same in accordance with the best international standards and rules to maximise the value thereof for the benefit of the future generations.

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.

The SFE is a vehicle to attract private investments to the economy through co-investing in new or existing projects. Its assets are not part of the public investment budget of the government and does not have a direct impact on general macroeconomic policies unless of a significant magnitude in which case there is coordination between government entities and the Central Bank of Egypt where relevant.

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 funding and spending operations of the SFE and its sub-funds are clearly stated and regulated by the Law and the Articles of Association. There are currently four sub-funds: Infrastructure and Utilities; Healthcare and Pharmaceutical Industries; Tourism and Real Estate and Antiquities Development; Financial Services and Fintech. Funding for the SFE is clearly stated in the law as sourced from the State Treasury. Spending is on operations and investments with the CEO and senior management allowed to exercise authorities to manage the Fund as per the Board and General Assembly approval of the annual budget. Subfunds are an extension of the main fund with a similar annual budget that is approved by the Subfund board and its General Assembly (the Subfund General Assembly is the main Fund board).

4.1. The main source of funding for the SFE is its capital which is sourced from the State Treasury. Other resources include assets transferred to the Fund, returns on investment of funds and utilization of assets, loans and facilities received and yields from financial instruments, and any other resources approved by the Board of Directors and certified by the issuance of a Prime Minister decree.

4.2. There is no withdrawal mechanism. There is either liquidation, if a specific amount of losses is incurred, regulated by the Articles of Association issued by Prime Ministerial decree number 555 of 2019, or the SFE distributes dividends after retained earnings reach 50% of its shareholder's equity and the General Assembly decides to distribute dividends. Otherwise, use of funds is limited to investments and operations.

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.

All data and information mandated for disclosure by the SFE management and Board to the General Assembly is reported in a timely manner as required by the SFE's law and articles of association.

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.

Law 177 of 2018 establishing the Sovereign Fund of Egypt, stipulates that it is a sovereign fund which has an independent legal personality. The role of the General Assembly, the Board of Directors, the Chief Executive Officer and external auditors is clear, and their respective responsibilities are identified by the Law and the Articles of Association. The Board directors and General Assembly members have a private sector majority, ensuring independence from the government in operations and investment decisions. The SFE has a General Assembly that oversees the Board of Directors which in turn oversees the SFE executive management. The sub-funds have their own Boards of Directors and their general assembly is the SFE Board so there is consistency in the policies and targets that is streamlined and supported by the SFE executive management.

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 Board outlines the strategy and objectives of the Fund in coordination with the executive management with a view to achieving the Fund's mandate of sustainable economic development, as stated in the Law. The operations and responsibilities of the governing bodies and the Chief Executive Officer are clearly stated in the Fund Law and the Articles of Association. The sub-funds through which the SFE operates are organized by the Law and the Articles of Association and have their own governing bodies including a majority private sector Board and a Chief Executive Officer. The sub-funds are supervised by the executive management, the SFE Board and General Assembly. The sub-fund boards are appointed by the Chairperson of the SFE Board. The General Assembly and the Board of the SFE are appointed by Presidential decrees.

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 responsibilities of the governing bodies and the Chief Executive Officer and how they operate are clearly stated in the Fund Law and the Articles of Association. There is also a clear set of policies and procedures developed by international and local experts and consulting firms to ensure the policies and procedures are at par with the relevant international standards and best practice and how sovereign funds should operate.

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 independence of the SFE executive management is supported by the Law and the Articles of Association given the clear distinction between the Fund and government entities. A clear clause in the SFE Law indicates it is not bound by laws and regulations governing the Government of Egypt.

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 Law and Articles of Association of the SFE and the Articles of Association of the sub-funds through which the Fund operates clearly define the supervisory role of each governance body, namely the Investment

Committee at the SFE level, and the Board and the General Assembly for the SFE and the Subfunds. There are also two external auditors including the Central Accounting Agency and a private sector auditor for the SFE and an external private auditor for each sub-fund and the same for the special purpose vehicles for each investment. The consolidated financial statements and the annual report are reviewed by the Head of Parliament and the President within three months of the year's closing.

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.

The SFE and sub-funds have independent budgets and prepare quarterly and annual reports and financial statements according to Egyptian accounting standards. Sub-funds can prepare their statements according to international accounting standards. The SFE and its sub-funds work with international auditors usually from the "Big Four" auditors.

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.

The SFE and sub-funds prepare annual reports and financial statements according to Egyptian accounting standards. Sub-funds can prepare their statements according to international accounting standards. The SFE and its sub-funds work with international auditors. The auditors are accredited by the Financial Regulatory Authority or the Central Bank of Egypt.

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 SFE and sub-funds are mandated to follow all relevant international standards and best practices in disclosure and have both conflict of interest and whistleblowing policies, in addition to internal audit, risk and compliance policies and procedures to ensure professional and ethical standards are applied at all levels of operations.

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.

The SFE and sub-funds have a clear set of internal policies and procedures for their operations prepared according to international best practices with the primary mandate of the Fund being to achieve sustainable economic development through co-investing with the private sector and creating financial returns according to best practices in investment.

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.

The SFE and sub-funds adhere to local and international rules and regulations regarding operations and disclosure as the Law and Articles of Association clearly state the SFE will operate in accordance with best international standards and shall observe transparency standards as consistent with international sovereign wealth funds.

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.

The SFE Law and Articles of Association outlining the objectives, governance structure and independent of the SFE and its sub-funds have been published in Egypt's Official Gazette and are publicly available on the Fund's website.

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.

The SFE and sub-funds publish, where appropriate, relevant financial information on their capital and investment opportunities. The SFE and sub-fund capital is clearly stated in the Law and Articles of Association which are published in the Official Gazette and information about the investment opportunities are published in the public media when finalized. These will be published on the Fund's website in the future. Financial reports and statements are also provided to the General Assembly, the Head of parliament and the President.

Pillar 3: Investment

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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.

The SFE Investment Policy and how it manages and monitors its investments are clearly stated in its relevant policies and procedures. The internal policies and procedures include Risk and Compliance. There are also committees created by the SFE Board populated by members of the Board focused on Risk and Compliance and Governance and Internal Audit to ensure proper governance and monitoring on the investment side.

18.1. The Investment Policy and the control measures set by the SFE identify risks and how to control and mitigate them and any leverage is closely monitored and approved by the Board based on rigorous financial studies and check by the Board Investment Committee.

18.2. The Investment Policy of the SFE in addition to the Articles of Association of the SFE and the sub-funds clearly allow for use of internal and/or external investment managers. The relevant internal policies and procedures indicate how they are selected and monitored.

18.3. The investment policy is currently being approved by the Board, and a summary will be publicly available on the SFE website when this is approved.

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 made by the SFE, and its sub-funds aim to maximise risk-adjusted financial returns in a manner consistent with its objective and the investment policy within the context of international standards taking into consideration Environment, Social and Governance (ESG) issues.

19.1. Highlights of the ESG policy of the SFE and its sub-funds will be available on the website of the SFE.

19.2. The Law and Articles of Association state the SFE should achieve its mandate according to the relevant international standards in investment and operations.

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.

The SFE is obliged to adhere to international professional norms in doing business and any conflict of interest should be disclosed according to its Articles of Association. The SFE seeks to operate on a level playing field with the private sector with the objective of increasing the role of the private sector in the Egyptian economy and attract private flows to the real economy.

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 SFE seeks to have voting rights through mostly minority investments in projects with the private sector. The SFE operates according to its strategy and investment policy in a value accretive manner. The SFE adheres to rules and regulations governing securities of Egyptian listed entities.

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.

23. The assets and investment performance in absolute and relative terms are measured and reported on a periodical basis (at least quarterly and annually) to the Investment Committee, the Board and the General Assembly as mandated by the Law and Articles of Association based on Egyptian and international accounting and investment standards.

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.

24. The SFE already has a policy to ensure adherence to the GAPP and will periodically review implementation of the Santiago Principles, as requested by stakeholders or the IFSWF.