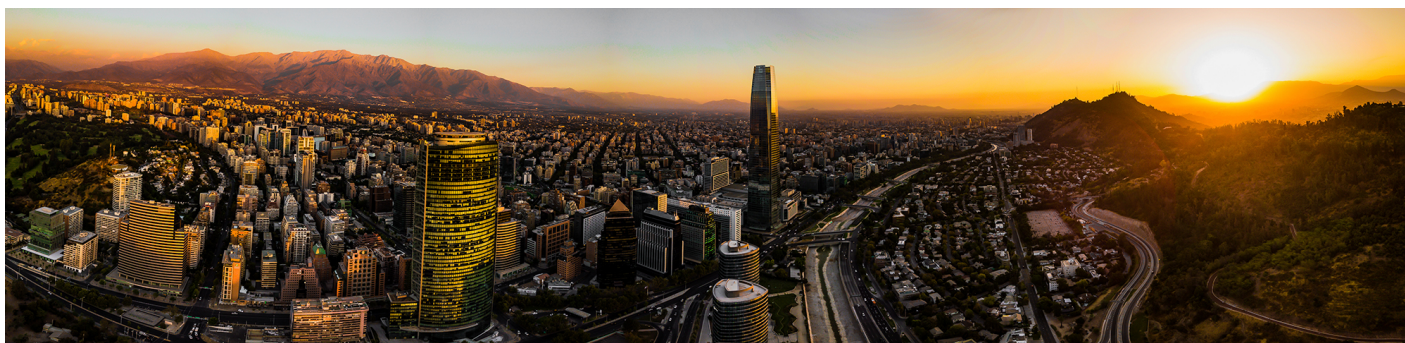




PIF 2022

Palestine Investment Fund

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.

Palestine Investment Fund ("PIF") was established by a Presidential decree in 2000, and was formally registered in 2003 as a public shareholding company under Palestinian corporate law, with the shares owned by Palestinian People.

PIF's articles of association/ bylaws set the general objectives and governance structure for PIF, including the board of directors and general assembly roles and responsibilities.

PIF operations are overseen by an independent eleven-member Board of Directors, appointed by the President for three-year term. The Board is comprised of leading business figures, economists, and policymakers and is responsible for setting PIF's goals and objectives.

The General Assembly comprises of 30 independent members representing PIF's ultimate shareholder, the people of Palestine. General Assembly members are appointed by the President and represent the business community, academia, regulatory agencies and civil society. The General Assembly provides strategic guidance to the Board of Directors, approves annual reports and financial statements, appoints an external auditor and approves the distribution of dividends to the Palestinian treasury

Information about PIF's structure, governance and performance are published in PIF's annual report and of [PIF website](#).

Principle 2

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

PIF's main objective is to promote sustainable economic growth and private-sector development in Palestine. As a development-centric fund, PIF seeks to maximize impact through investing in strategic projects in under-developed sectors, while achieving sustainable returns.

PIF invests the majority of its assets domestically in vital sectors of the Palestinian economy, including; renewable energy, healthcare, agriculture, infrastructure, real estate, technology, entrepreneurship and the capital market in Palestine.

PIF strategy is approved by the Board of Directors and is publicly disclosed in PIF's [annual reports](#) and [website](#).

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.

PIF plays a developmental role in the Palestinian economy, focusing on strengthening the private sector and attracting regional and international investments.

PIF investments have contributed to job creation, stability of the local capital market, and the Palestinian GDP. However, due to the size and nature of these investments, they have no direct impact at the macroeconomic level.

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.

PIF was established through a one-time capital injection in the form of commercial assets and investments that were held by the Palestinian Authority. PIF depends on the return on these investments to grow its assets base.

Upon request from the Palestinian government, the PIF Board of Directors recommends dividend distribution to the General Assembly. Once approved, dividends are transferred to the Palestinian Treasury. Dividends are reported in the audited financial statements and disclosed in PIF's annual report, which is widely distributed and posted on the [PIF website](#).

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.

Monthly and quarterly operational and financial reports are prepared for executive management and the Board.

PIF's annual audited financial statements are published in PIF's annual report, copies of which are submitted to the Palestinian President and the Government. They are also available to the public and posted on the PIF website.

Additional information regarding the financial performance and [economic impact](#) of PIF investments are posted on the [PIF website](#).

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.

PIF's governance manual sets the overall governance structure for PIF and provides clear roles and responsibilities for each level. It also provides a strict authority matrix for decision-making process.

[PIF's governance structure](#) is based on the following three pillars:

A General Assembly comprises 30 independent members representing PIF's ultimate shareholder, the people of Palestine. General Assembly members are appointed by the President and represent the business community, academia, regulatory agencies and civil society. The General Assembly provides strategic guidance to the Board of Directors, approves annual reports and financial statements, appoints an external auditor, and approves the distribution of dividends to the Palestinian treasury.

A Board of Directors comprises 11 independent members appointed by the President from leading business figures, economists and policymakers. The Board is responsible for setting PIF's goals and objectives, strategy, assets allocation, and overseeing PIF operations. The Board has the following committees; governance committee audit committee, investment committee, and Human Resources committee.

An executive management team responsible for implementing PIF's strategy and overseeing daily operations. The management team reports to the Board of Directors.

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.

PIF's articles of association/ bylaws and governance manual set the criteria and process for appointing the Board of Directors, General Assembly and Executive Management. (see GAPPs 1 and 2)

PIF's annual reports, including audited financial statements, are submitted to the President, various governmental bodies and published on PIF's website.

PIF's operations are also subject to audit by the state audit and administrative control bureau, which reports to the President, government and the legislative council.

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.

PIF 's [articles of association/ bylaws and governance](#) manual detailed the authorities, roles, and responsibilities of the Board of Directors, General Assembly and executive management.

The Board has a clear mandate and adequate authority and competency to fulfil its functions.

The Board Responsibilities include, among other things:

Establishing strategic goals, objectives and appropriate corporate policies;

Reviewing and approving the strategic plans;

Reviewing and evaluating PIF's initiatives, programmes and subsidiaries on a regular basis;

Approving company-wide policies, authority matrices, code of conduct, corporate governance, and transparency and disclosure policies;

Monitoring executive management performance;

Approving investment and procurement decisions in line with the approved Authority Matrix;

Ensuring ethical behavior and compliance with laws and regulations;

Ruling on any cases of conflict of interest at the Board or executive management levels;

The Board carries out its duties through a number of active board committees.

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.

PIF has an independent Board of Directors. The Board is the highest authority, it approves strategy, assets allocation, investment decisions, and oversees PIF operations.

An independent executive management team is responsible for executing the investment strategy and asset allocation, managing the daily operations, and making operational decisions. The executive management operates in accordance with corporate law, PIF articles of association/bylaws, governance manual and well-defined internal policies and procedures, and in line with a strict authority matrix.

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 framework is clearly defined in PIF's articles of association/bylaws and corporate governance manual.

PIF is also subject to the Palestinian corporate law which among other things sets duties and responsibilities of the Board, General Assembly and management, and the requirement to issue audited financial statements.

Finally, PIF's operations and accounts are subject to audit by the state audit and administrative control bureau, which reports to the Palestinian President, Palestinian Government and the Legislative Council.

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.

PIF issues a full set of audited financial statements including notes to the financial statements and disclosure of accounting policies within 90 days of year end. Financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and audited by an international audit firm.

The financial statements are part of PIF's annual report which is widely distributed and posted on [PIF's website](#).

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.

PIF's [annual financial statements](#) are audited by an international accounting firm in accordance with International Standards on Auditing ("ISA"). The audited financial statements and the audit report are published in PIF's annual report and posted on PIF's website.

In addition, PIF's accounts and operations are audited by the internal audit department, which reports directly to the audit committee of the Board. The internal audit department works in cooperation with an international accounting firm.

Finally, PIF is also subject to audit by state audit and administrative control bureau, which reports to the President, Government, and the Legislative Council.

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.

PIF's governance manual and code of conduct set the guidelines for ethical practices at PIF and address conflict of interest.

In addition, the human resources policies, employment contracts, and operational policies and procedures set the acceptable ethical practices to be adhered to by PIF staff.

Finally, all employees who are involved in capital markets investments adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct.

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.

Most of PIF investments are managed by internal portfolio managers. The use of external fund managers is limited to investments in international capital markets. External fund managers are chosen for their experience and ability to exploit investment opportunities in these markets. They are selected based on professional and commercial criteria.

Procurement is governed by approved policies requiring fair and transparent tendering procedures.

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 majority of PIF investments are in the local market. International investments are limited to investments in capital markets through external fund managers, who ensure compliance with all applicable regulatory and disclosure requirements of the related 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.

The [governance framework](#) and its operational independence are disclosed in PIF's [annual reports](#) and on PIF website.

Information disclosed include, among other things; the organization structure, executive management composition, the role of the Board and General Assembly, and the role of internal and external auditors.

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.

Relevant financial information including audited financial statements, assets allocation, key investments, investment return and impact, and dividend distribution are deloused in the [annual reports](#), which are widely distributed and posted on PIF's website. The [website includes additional information](#) about PIF investments.

The size of PIF's investments in international markets poses no risk to financial stability of these markets.

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.

PIF's investment strategy is derived from its main objective of promoting sustainable economic growth and private sector development in Palestine.

PIF's three-year investment strategy is reviewed and approved by the Board of Directors. This strategy is reflected in the annual business plan which sets the priority for assets allocation as follows:

Originating and investing in strategic projects in underdeveloped and vital sectors in Palestine, in partnership with the Palestinian private sector and international investors.

Maintaining a foreign assets portfolio composed of highly liquid capital markets investments, with the goal of maximizing return while minimizing risk, until adequate opportunities arise for deploying these funds in Palestine.

Financial risk is closely monitored, leverage is limited and mostly used for investments in private equity and the real estate sector and in accordance with approved policies and procedures. The use of derivatives (swaps and forwards) is limited for hedging currency positions.

Most of PIF's investments are managed internally, the use of external fund managers is limited to investments in international capital markets. Fund managers activities, authorities and selection are governed by PIF's Capital Markets Policies and Procedures manual.

The investment policy is briefly discussed in PIF's annual reports and on PIF website.

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.

In accordance with the approved investment policy, all investment decisions are made on economic and financial bases with the aim of minimizing risk and maximizing return.

In line with its objectives and strategy, PIF focuses on investments with developmental impact in addition to the financial return.

All investment activities are executed in line with the approved investment policy and guided by a clear governance structure that regulates investment decision making process. According to this structure all investment decisions are reviewed by PIF's executive committee and approved by the Board investment committee / the Board of Directors based on a clear authority matrix.

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.

PIF is registered as a public shareholding company with an independent Board of Directors. It is subject to the requirements of Palestinian corporate law and other applicable laws including the tax laws.

In addition, the majority of [PIF projects/ investments](#) in the local market are performed in partnership/ cooperation with the private sector.

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.

PIF exercises its ownership rights only in its investments in the domestic market and where PIF holds a significant share, with the primary objective of protecting the financial interests of PIF and the general shareholders.

PIF investments in the international market are insignificant and PIF follows a passive investment approach.

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.

Quarterly reports on investment performance are prepared for the Board of Directors.

The annual reports, including audited financial statements, are distributed to the President, the Government and posted on PIF website.

PIF website includes detailed information about the economic impact of PIF investments. For more details refer to [PIF website](#)

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.

The implementation of GAAP is reviewed annually. The review is performed as part of the internal audit department annual plan