



FRC 2025

Fonds de Réserve Constitutionnel

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.

The Constitutional Reserve Fund of the Principality of Monaco ("CRF" below) is an equivalent sovereign fund under the direct administrative aegis concerning the Prince's Government of the Principality of Monaco and under the direct supervision of the Ministry of State and the Ministry for Finance and Economic Affairs.

The CRF is provided for in [Article 41 of the Constitution of the Principality](#). This article states that the excess of income over expenditure, as found after the implementation of a budget and closure of its accounts, shall be paid into the Constitutional Reserve Fund.

The specificities of the Principality's economic model, based in particular on strict budgetary discipline, is the main reason why the Principality is one of the rare countries that do not have any public debt. Thanks to that fairly regular budget surplus allocation, the country enjoys an undeniably robust financial independence. In turn, the independence provided, among other elements, by the CRF guarantees the Principality's ability to maintain its attractiveness and standing around the world.

As in the past, the fundamental strategic aim of the Monegasque budget remains to consolidate the Principality's financial independence by preserving the conditions for balancing the budget in a lasting manner and delivering a steady surplus.

On His accession, H.S.H. The Sovereign Prince Albert II, set out the framework for a "model country". The conditions governing CRF were also reviewed and confirmed. As an extension of the Constitution, governance and supervision of the CRF are defined in a series of promulgated Sovereign Ordinances.

[Ordinance Number 3.981 \(as of 02/29/1968\)](#) stipulates details on how the CRF operates. It is stated (article 1) that the fund is administered by the Minister of State, assisted by an Investment Fund Commission ("IFC"), which meets on a quarterly basis. Under the supervision of the Minister of State, the FRC monitoring team (Council) led by the Minister for Finance is also composed of the head and deputy head of the Budget and Treasury Office, the Treasurer and an adviser ("Conseiller Technique" in French), all members of the Finance Department.

[Ordinance No. 4.654 \(02/09/1971\)](#) provides more details on the functioning and the organisation of the IFC. Article No. 2 specifies members of the Commission. It includes three National Assembly House representatives (“Conseil National” in French) with their President. MPs are informed in detail about the financial situation of the Fund and participate in the decision-making with a consultative voice.

As the Constitution, these Sovereign Ordinances are publicly available on the “Legimonaco” website (<https://www.legimonaco.mc/305//legismc.nsf/Home>). This site is the official public interface of government policy to disseminate Monegasque legal framework.

Related web links:

[Constitution du 17 décembre 1962 de la Principauté \[Legimonaco\]](#)

[Ordonnance souveraine n° 3.981](#)

[Ordonnance souveraine n° 4 654](#)

Principle 2

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

The political and institutional system of Monaco is governed by the [Constitution of December 17th, 1962](#) as amended by Act No. 1.249 of April 2nd, 2002. This fundamental law enshrines the public rights and freedoms of Monegasque and foreign nationals alike. It also defines the Government’s nature and the authorities’ organization and relations.

The CRF’s primary goal is to provide a financial buffer for the Principality of Monaco as a key element of its independence. This specific aim directly and publicly results from the provisions and principles of the Constitution. Hence, the Fund is often presented as the “nest egg” of the population of Monaco, that is to say, savings for responding to unexpected crises that may have a significant impact on the Principality (such as the COVID pandemic). This view is regularly expressed in official statements, as well as in official documents referring to the CRF.

Monaco is among the few countries that do not have any public debt. The direct link initiated by the former 1911 Constitution between the annual State Budget and the CRF, aiming, on one hand, at covering possible government deficits and, on the other hand, at benefiting from existing budgetary surplus, has been incorporated into the 1962 Constitution.

In addition to being one of the flagship elements of Monaco’s financial stability, CRF contributes to the prosperity of the country. It allows the State to make strategic investments and help the annual process of setting the economic guidelines.

All the possible contributions of the Fund to the state budget are documented and reported in public parliamentary sessions.

Related web links:

[Constitution du 17 décembre 1962 de la Principauté \[Legimonaco\]](#)

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.

CRF’s scope is, in essence, integrated in government operations. Although provided with a separate legal status, the Fund is a public component of the governmental action plan with a direct involvement in the budget process. Interactions between the CRF and the state budget are clearly stated in the Constitution. Capital flows (outflows or inflows) between the two budgets are fully

documented and receive special attention. They meet official recognition criteria and are conducted in conformity of the best interests of the sovereign state of Monaco.

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.

Article 41 of the Constitution of Monaco defines the main source of the CRF. In the text, it is said that a civil year budget surplus, if any, is credited to the CRF, while any excess of expenditures over revenue is withdrawn "from the same account". These yearly cash flows are processed and disclosed under the responsibility of the Budget and Treasury Department from the Ministry of Finance and Economy. All the moves are fully registered and good cause is always shown for each treatment.

The second source of CRF's income is the natural evolution of the outstanding assets that are part of its portfolio. Existing investments can be sorted in four main segments. The first segment is made of shareholding securities ("titres de participation" in French). In this case, ownership enables the Government to remain fully informed, and possibly to directly influence overall management of the companies under consideration. These are mostly local companies. The second segment includes tangible fixed assets ("les immobilisations" in French). They are real estate assets, mostly located in Monaco. The third segment includes all the collective investment funds where the CRF holds interests ("titres de placement" in French), including dedicated funds, open-ended funds or mandates. Those are organised through different strategies and meet the needs of leveraging on external expertise. The fourth and final segment is constituted by the gold reserve of the Principality.

From this package of positions, all movements are fully tracked on a daily basis. Adequate reporting is regularly issued for internal use within the government. On a quarterly basis, the same set of data is circulated to the IFC members. A detailed overview is given at the end of each year to all the members of the National Assembly House ("Conseil National" in French).

In any case, the information provided is consistent, fair and exhaustive. All positions in the various assets, along with all the transactions of the period, are duly disclosed. Information about each transaction (ie. dates, amounts, market prices, profit and loss impacts...) is detailed.

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.

A close monitoring of CRF's portfolios is performed every day by a dedicated team that is part of the Ministry of Finance and Economy. That team is also in charge of answering any possible questions arising from the Government with regards to the Fund. On a monthly basis a financial statement published by the Budget and Treasury Department is sent to the Minister of Finance and Economy.

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 Constitutional Reserve Fund includes four distinct segments, as described above. In accordance with [Sovereign Order No. 3.981 \(dated 02/29/1968\)](#), the Constitutional Reserve Fund is managed by the Minister of State, assisted by the Fund Investment Commission. By delegation from the Minister of State, the Minister of Finance is responsible for regular supervision of the Fund.

As a government fund, the CRF is monitored by a dedicated team within the Department of Finance and Economy. Essentially, this team plays a dual supervisory and advisory role for the Minister of Finance. On a daily basis, it analyzes and publishes data on the performance and risks of investment securities, and regularly reviews the financial markets.

The team benefits from the operational support of teams from the Budget and Treasury Department (BTD) and the General Treasury of Finance. On behalf of the CRF, they perform an asset administration role, carrying out all the transactions required to manage the various segments. The DBT is also responsible for recording all transactions and producing the corresponding regulatory accounting statements.

The Finance and Economy Department team dedicated to the CRF does not have signing authority. It cannot therefore sign any document required for the validation of financial operations, commitment contracts or other administrative operations. This internal compartmentalization clearly separates the role of advisor from that of decision-maker or executor. Investment decisions can only be made by the Minister of State or the Finance Minister. These decisions are then processed and registered by the Budget and Treasury Department (BTD), which then issues an operating order to the General Treasury of Finance. This latter entity is responsible for maintaining the Government's accounts and relations with all the banking establishments where they are opened.

Related web links:

[Ordonnance souveraine n° 3.981](#)

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 main objectives of the CRF were set by the Government from the outset.

Firstly, the fund must represent a second source of revenue for the State budget, by always being able to ensure the financing of the latter, if an imbalance in its budget at the close of a financial year makes intervention necessary. The CRF should thus enable the Monegasque State to avoid having to resort to debt on the financial markets.

To this end, Article 41 of the Constitution establishes the basic mechanism governing the links between the State budget and that of the Reserve Fund.

If there is a surplus in the State budget at the end of a calendar year, the CRF receives this surplus and is then responsible for investing these amounts in the liquid segment (the investment portfolio) of its assets. Conversely, if there is a deficit in the State budget at the end of a financial year, the CRF must be able to offset the imbalance by paying the State the exact amount needed to restore the budget to balance.

This principle of "communicating vessels" between the budget of the Monegasque State and the CRF has worked well since its initial implementation. Monaco is currently one of the very few countries not to have sovereign debt.

Thanks to the CRF, the Principality enjoys undeniable and robust financial independence. This is based first and foremost on a founding principle which aims to ensure that the Government always applies strict budgetary discipline. For the Monegasque State, the use of the CRF's resources must therefore remain the exception. In the event of unforeseen circumstances, as was the case

during the Covid health crisis, the CRF enables the Prince's Government to deal with a crisis situation. So, the mission of the Prince's Government does not consist of choosing between action and a balanced budget but giving itself the means to finance initiatives in the long term, without running the risk of impoverishing the country.

Secondly, the CRF must be able to help the Government of Monaco implement the strategic objectives defined for the country.

This firstly concerns the State's investments in certain local companies and/or companies whose activity is considered essential to the Principality's economic development. This is particularly the case for Société des Bains de Mer, which manages a number of strategic assets for the country (Hotels, Restaurants and Casinos). As the Principality's largest employer, the Government's shares in this company are held within the CRF's holdings.

Generally speaking, the criteria for holding a company's shares and the length of time they must be held are defined by the Government and must first be validated by the members of the Government Council (the equivalent of a Council of Ministers) and then go through a detailed briefing by the Investment Commission.

The same is true for the State's investments in real estate, whether located in the Principality or outside its borders. Here again, the CRF's actions depend directly on the Government's will and are strictly in line with its policy interests. For example, investments in certain buildings close to the Principality respond to the need to be able to house employees of the Principality in areas that are suitable in terms of proximity and rental prices. Without this action, recruitment conditions would be under more constraints.

Within the CRF, the people in charge of achieving these general objectives are all civil servants or sworn civil servants. As such, their status is defined in the new law no. 1.527 (amending law no. 975 of 12 July 1975) relating to the status of State civil servants. At the same time, a Sovereign Order laying down general provisions on the status of civil servants came into force on the same date, i.e. 1 January 2023.

To sum up, the selection of candidates defined by these texts involves firstly an internal circularisation of the profiles sought, and then, if necessary, external information via the official journal. The selection process is based on precise criteria set out in the law. Recruitment is also formalised by publication in the Principality's Official Journal.

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 authority delegated to the Minister of Finance and the Economy, on behalf of the Minister of State, ensures that the CRF is managed in accordance with current regulations and the principles of responsible financial management, in line with the return and risk objectives defined at the outset.

Within the Department of Finance and Economy, the team in charge has all the skills required to achieve these objectives. They all have extensive experience in the field of finance, having previously worked for many years in various specialised private establishments (banks or financial institutions).

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.

As an important complement to the State's public policies, the CRF investments are directly related to the strategic choices it wishes to make. The decisions taken support the policy of the Prince and His Government in terms of economic development, international influence and environmental protection, but also with the objective of profitability.

The Prince's Government has full and complete responsibility for the management of the CRF. It is responsible for defining the general framework of the investment policy in all its aspects (financial, strategic and risk) and ensures that it is properly applied.

The CRF's investment and divestment decisions, for all its constituent segments, may have several origins.

First and foremost, the Minister of Finance plays a key role in this area. Responsible for managing the CRF on behalf of the Minister of State (Prime Minister), it is he who takes the initiative in defining the fund's investment policy and the balance its various segments. He selects the investment proposals submitted to him, either through direct contacts (internal or external to the Government) or those sent by some senior officials within his own department (Finance, State Property and Budget). The Minister of State and Ministers from other Departments of the Government can also initiate proposals about possible investments to be made that are not already included in the State budget.

Before making a decision, the Finance Minister may be asked to discuss with his teams the relevance of the choice made, particularly in terms of its budgetary impact.

Once the choices have been made, they are presented to the Minister of State (if he or she did not initiate them) and to the Government Council, before being presented at a quarterly Investment Funds Commission (IFC). No transaction (purchase - sale) or commercial operation affecting the CRF is carried out without first being presented to the IFC.

The Commission, which includes three National Councilors (equivalent to Members of Parliaments) and the President of the National Council (equivalent to an assembly), is initially informed of the general framework of the CRF's investment policy, the general principles of which have been debated in parliamentary session. The opinions expressed by these representatives following the presentation of proposed investment changes represent an additional level of control over the operational alignment of the CRF's actions with the general framework.

The CRF's management team operates under the direct supervision of the Government and within the general framework defined. No foreign influence or vested interest is involved in the selection investment processes. That's why, the CRF makes no external communication to the Government or the National Council on the details of investments made within the CRF, and more particularly on the composition of the portfolio of investment securities. The application of this principle means that the CRF retains complete autonomy in the selection of strategies that appear to be suited to its needs, whether they are proposed locally or from outside the Principality.

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 CRF's legislative and regulatory framework is essentially defined by [Article 41 of the Constitution of December 17th 1962](#), and by [Ordinances no. 3,981 \(of February 29th 1968\)](#) and [no. 4,654 \(of February 9th 1971\)](#).

In addition, the CRF is working on a document defining the detailed outlines of the investment policy for the management of the CRF's investment securities.

Related web links:

[Constitution du 17 décembre 1962 de la Principauté \[Legimonaco\]](#)

[Ordonnance souveraine n° 3.981](#)

[Ordonnance souveraine n° 4 654](#)

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.

In the first half of each year, a report on the previous year's accounts is published. Produced by the Budget and Treasury Department (BTD) and the dedicated team at the Department of Finance and Economy, this report presents a comprehensive overview of the CRF's assets under the following headings:

- General trends
- Fund size and composition
- Balance sheet analysis
- Analysis of profit and loss account
- Known accounting transactions for the year.

This document is supplemented by various appendices giving details of the assets included in the investment securities with appropriate comments.

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.

Transactions are recorded in accordance with the Principality's national accounting rules. This accounting system is essentially consistent with current international standards. In the interests of comparability and transparency vis-à-vis the international community, the Principality has based its measurement and recording tools on the European System of Accounts (ESA 95).

The principles applied to account for CRF assets are therefore the same as those applied to the State budget, which are subject to regular controls.

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.

As far as ethical and professional rules are concerned, precise texts exist, defining the legal framework to be respected. These rules apply to all civil servants and government employees in the Principality. Naturally, they also apply to all staff responsible for steering and managing the Constitutional Reserve Fund.

The first principles are set out in [law no. 975 of July 12th, 1975](#) "on the status of civil servants". Various articles specify the elements required to ensure the impartiality, integrity and probity of the functions performed (article 6 and following). There are also provisions concerning the management of apparent or potential conflicts of interest (article 7 and following).

Other texts complete and clarify this law. This is the case of [Ordinance no. 3.085 of September 25th, 1945](#), which specifically concerns the notion of professional secrecy. Likewise, [Ministerial Order no. 2015-703](#) of November 26th, 2015, which includes the Charter for the use of the State's IT and electronic communication resources.

The Principality of Monaco has also acceded to Convention 108 of the Council of Europe for the protection of individuals with regard to automatic processing of personal data of January 28th, 1981, and its additional protocol concerning supervisory authorities and transborder data flows, which came into force on April 1st, 2009.

Related web links:

[Loi n 975 du 12 juillet 1975](#)

[Ordonnance 3 085 25 septembre 1945](#)

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.

Civil servants working on behalf of the Constitutional Reserve Fund, like all their counterparts, must comply with legislation concerning transactions with third parties for the operational management of the Fund. These are set out in a Sovereign Order:

[Sovereign Order n° 2.097 of October 23rd, 1959](#) regulating State contracts

Replaced by [Sovereign Order n° 7.264 of December 20th, 2018](#) regulating State procurement.

This ordinance precisely defines all the procedures for awarding public contracts and works, as well as those concerning the placing of government orders.

Related web links:

[Sovereign Order 2 097](#)

[Sovereign Order 7 264](#)

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.

As specified in principle 6, the Constitutional Reserve Fund includes four distinct segments: investment securities, equity securities, investment property and a physical gold reserve. The investment securities segment corresponds to a portfolio of investments in funds or mandates. Equity interests represent shares in companies in which the government wishes to have a lasting interest.

Apart from these four segments, the Constitutional Reserve Fund has no "relay entities" outside the Principality that could act directly on its behalf.

Investments in securities are made from investment funds or mandates offered by major banks or financial institutions. For all these investments, the Constitutional Reserve Fund always responds to counterparties' "Know Your Customer" requests for information. These requests are made at the time of initial set-up, and on a regular basis throughout the life of the transaction. In this respect, the Constitutional Reserve Fund enjoys no special privileges, given its status as a state-owned fund, regardless of the country in which the investment is located. It therefore regularly answers all questions asked to it.

Similarly, real estate investments are made in compliance with local legal and tax regulations. All legal, accounting and tax declarations are made, without exception, in accordance with the regulatory requirements of each country concerned.

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.

A detailed document on CRF governance is currently being drawn up and should be completed in 2025. Its purpose is to formalize the principles and procedures governing the management and administration of the CRF's assets. Once drawn up, and after validation by the Minister of State and the Minister of Economy and Finance, it will be presented to representatives of the National

Council (the equivalent of a local parliament). This document will complement the existing legal texts on this subject, which have been outlined in response to principles 6, 7 and 8.

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.

Regarding investment in publicly traded securities, given the nature and structure of its portfolio, the Constitutional Reserve Fund does not hold any positions that could have a significant influence on the financial markets. By way of illustration, the 2.3 billion € in assets under management at the end of 2023 were spread across 57 investment funds or mandates, themselves invested in numerous positions (ranging from 20 to several thousands).

The only significant position held by CRF in a single corporation is constituted of shares in the "Société des Bains de Mer " (SBM). SBM specializes in the operation of casinos and hotels in Monaco, as well as catering, spa and thermal activities. As this company is a strategic asset for the Principality (for instance, it is the country's largest employer), the Government wishes to retain a "right of oversight" over its management. For this purpose, at the end of June 2024, it holds 64.21% of the company's shares, 24% of which are inalienable. SBM is listed on the Paris Euronext stock exchange. As such, the Government's participation is publicly documented, and the company complies with all regulatory, accounting and tax publication requirements.

The breakdown and amounts of the various segments making up the CRF are the subject of regular communications which are generally reported in the local press (for example, the article in "La Gazette de Monaco" on May 10, 2023 entitled "Constitutional Reserve Fund: 6.5 billion in assets" ("Fonds de Réserve Constitutionnel: un actif de 6.5 milliards" in french) following a presentation by the "Monegasque Institute of Statistics and Economic Studies" ("Institut Monégasque de la Statistique et des Etudes Economiques" in french) IMSEE). None of the positions in these segments is likely to jeopardize the stability of international financial markets.

Related web links:

[Article Fonds de Réserves Constitutionnel](#)

[IMSEE 2022](#)

Pillar 3: Investment

Investment and Risk Management Framework.

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.

In the Government Action Program, submitted to H.S.H. the Sovereign Prince for approval, the objective assigned to the CRF is to "pursue investment through sustainable investments". In addition to this first generic objective, there is also a more precise, albeit informal, objective, which calls for the CRF's performance to represent "a second source of income for the Principality, as regularly as possible and at a reasonable level of risk". Lastly, the liquidity level of CRF's asset should allow it to provide the economy with the level of macroeconomic support it may need, particularly in case of external shocks.

Every CRF investment decision explicitly meets these requirements. Planned investments are submitted in advance to the Investment Fund Commission ("IFC") on a quarterly basis, and supported by explanatory documents.

A detailed document setting out the performance and risk objectives accepted for the CRF is currently being drawn up and should be completed in 2025. Once drawn up, and after validation by the Minister of State and the Minister of Economy and Finance, it will be presented to representatives of the National Council (the equivalent of a local parliament).

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.

As explained in response to principle 18, the two main objectives of the CRF are that investments should 1/ represent "a second source of income for the Principality, as regularly as possible and at a reasonable level of risk" and 2/ be compatible with the new sustainability requirements

Under the Constitution, the task of the Constitutional Reserve Fund is to manage the Principality's budgetary surpluses. As such, all investments made, whether financial, real estate or equity, must offer the prospect of positive returns, depending on the level of risk defined as acceptable.

The main challenge is therefore to ensure that the CRF is not used as a repository for certain assets outside the State budget.

For investment securities, and prior to each investment, an analysis is carried out and documented to ensure their compatibility with these two main requirements. The results of these analyses are systematically summarized in a document that is presented to the Investment Fund Commission ("IFC") on a quarterly basis.

Transactions in other segments of the CRF are also formally submitted to the Investment Fund Commission ("IFC"). In addition to the financial and sustainability aspects, they may meet an additional criterion related to their strategic interest for the Principality. This criterion covers a number of general areas, such as enhancing the country's attractiveness, increasing government revenues, controlling public expenditure or supporting the Principality's economic development. All investment decisions are justified by explanations specific to this criterion.

Within the National Council (equivalent to the National Assembly), a committee "to monitor the Constitutional Reserve Fund and modernise public accounts" has also been formed.

Formed by the mandate elected in February 2018, it is dedicated to monitoring the Constitutional Reserve Fund and modernising public accounts. It carries out work on public finances and their presentation, which are fundamental issues insofar as they involve translating the Executive's political choices and the resulting actions, which commit the Principality in the short, medium and long term. The Commission's aim is to contribute to the modernisation of public finances by formulating pragmatic proposals, so that the budget provides a clear vision of public policies. It also aims to ensure that all public revenue and expenditure are included in the

State budget, in accordance with the Constitution, in order to preserve the role of the Constitutional Reserve Fund, which must remain the Principality's "nest egg".

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.

Structurally, the only segment of the CRF portfolio that could give rise to inside information trading corresponds to its shares in the SBM. As explained in the response to principle 17, the Government of the Principality, through the CRF, holds 64.21% of the shares in this listed company, 24% of which are non-transferable. This specific holding is explained by the strategic aspect of this participation for the Principality.

However, internal measures ensure that the information gathered in the course of supervising this participation is not passed on to the teams in charge of managing the CRF. In fact, these are two separate teams within the Finance and Economics Department, and a Chinese Wall exists between them.

Furthermore, the CRF's rationale for holding these securities is similar to that of a long-term portage. It is a "hold and carry" investment that excludes any speculative buying and selling operations linked to profit-taking following a particular market momentum. As such, this investment has been accounted for within the equity securities segment of the portfolio. It corresponds, in fact, to the definition specific to this type of classification: rights held in the capital of another legal entity which create a lasting link with the latter, contribute to the activity of the holding company by enabling it to exercise influence over the issuing company.

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 CRF adheres to the principle that shareholder ownership rights are a crucial element of the value of its equity investments. When the CRF exercises its ownership rights, it does so in a manner that is aligned with its defined investment policy and aims to protect the financial value of its investments.

The CRF considers property rights as fundamental, as outlined in the Constitution of the Principality of Monaco, which emphasizes the inviolability of property. The SWF's approach to exercising its ownership rights, including voting on securities of listed entities, is consistent with the broader principles of maintaining the value of its investments while also ensuring compliance with the local legal framework.

While specific details of the CRF's approach to voting rights are not publicly disclosed on an individual basis, it operates within a structure that ensures its decisions are driven by financial prudence, sustainability considerations, and strategic interests aligned with the economic development and interests of the Principality. The CRF maintains transparency in its general approach and will publicly disclose relevant information in accordance with its governance practices.

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.

In terms of market risk, the two most exposed segments within the CRF portfolio are investment securities and, to varying degrees, equity securities and the gold reserve.

Regarding investment securities, all the fund's positions are regularly fed into an IT tool, according to the shortest frequency at which this "upstream information" is available. Once the data has been integrated, part of the tool's services are aimed at calculating various risk elements. The corresponding complete results (performance and risks) are then provided by means of daily scheduled or user-defined reports. The main indicators provided (volatility over different periods, value at risk according to different models, ratios, etc.) enable a detailed assessment of the level of risk reached and its evolution over time.

Listed companies in the CRF equity segment are also available in the same tool, with the same indicators. The same applies to the valuation of physical gold holdings.

In both cases, the IT system used has been proposed by a major US financial group. In addition to the information and calculations provided for monitoring portfolio positions, the tool also provides access to the vast majority of financial data available on the markets (prices, rates according to different curves, financial communications, etc.). Quotations provided in real time enable us, among other things, to check the information supplied by the CRF's counterparties.

The valuation of the CRF's real estate positions, most of which are located in Monaco or its immediate vicinity, is carried out annually, based on the historical cost of the initial registration and by applying the variations of a standard building index. This practice, which is deliberately cautious, means that any fluctuations in market prices are not taken into account. A "Mark to Market" valuation would make little sense in this case, given the long-term profile of these properties.

For the same reasons as those set out in principle 9 above, the CRF communicates details of the risk management carried out only to the Government and the National Council.

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.

As explained in the responses to the various principles above, the CRF measures portfolio performance on a regular basis, adapted to the characteristics of the assets in question.

The investment securities division has a specialized tool for calculating the profitability of positions held, based on information received from custodians and on the shortest possible communication frequency. The calculation standards applied are the most widely recognized in the field:

- A "Time-Weighted Return" or "Modified Dietz" calculation, for all listed liquid positions.
- An "Internal Rate of Return" (IRR) calculation, with percentage or "multiple" restitution, for less liquid assets such as private equity.
- Derivatives are valued using "pricers" with market consistent models calibrated to observable market prices, allowing the visualization of Strategies and Greeks as well as their variations depending on different parameters.

Given the long-term nature of the assets held in the other segments of the CRF (shareholding securities (“titres de participation” in French), real estate and gold), we apply an annual frequency to their valuation and the corresponding performance calculations. These calculations are made either on the basis of market prices observed on the valuation date, or by applying indices representative of the sector.

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 CRF undertakes to check regularly that the Santiago Principles®, as defined above, are still in line with its objectives and the means implemented to achieve them.