



Santiago Principles Self-Assessment

Turkey Wealth Fund

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Pillar 1

Legal framework, objectives, and coordination with macroeconomic policies

Principle 1 Description:

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.

Principle 1 Implementation:

Turkey Wealth Fund Management Company (hereinafter referred as 'TWF ManCo') was established with the Law No. 6741 on 19 August 2016 as a joint-stock company under Turkish Commercial Code as the exclusive fund manager of Turkey Wealth Fund (hereinafter referred as 'TWF').

The Decree of the Council of Ministers dated 17 October 2016 (hereinafter referred as the 'Decree') regarding the process and principles of the structure and operations was published in the official gazette on 09 November 2016.

The Law No. 6741 and the Decree are publicly available information under the Official Gazette of the Republic of Turkey and TWF's website.

Following the Law No. 6741 and the Decree, TWF ManCo's Articles of Association and TWF's by-laws were also published in the Trade Registry Gazette on 28 December 2016

and 30 January 2017 respectively.

Principle 2 Description:

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

Principle 2 Implementation:

Article 1 of Law No. 6741 clearly defines the policy purpose and scope of activity. As per TWF's mandate which has been approved by TWF ManCo's Board of Directors (hereinafter referred to as the 'Board') on 24 October 2018, the strategic objectives are as follows;

- 1) Enhance the value of assets within the Fund
- 2) Provide equity to strategic investments in Turkey
- 3) Make equity investments to support Turkey's international economic objectives
- 4) Reinforce the improvement and deepening of financial markets

Principle 3 Description:

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.

Principle 3 Implementation:

As per the Presidential decree dated 12 September 2018, the Board includes H.E. President as the Chairman and H.E. Minister of Treasury and Finance as the Deputy Chairman, ensuring TWF remains consistent with national economic policies while executing its mandate and strategic plan.

Principle 4 Description:

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.

Principle 4 Implementation:

TWF's scope of activity and sources of finance including the founding capital are disclosed under Article 2 and Article 4 of the Law No. 6741.

TWF makes use of debt and equity financing to fund its investment activities.

All financing and investment-related decisions are subject to final approval by the Board.

Principle 5 Description:

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.

Principle 5 Implementation:

TWF follows Article 18 of the Decree and is committed to regularly publishing annual reports on its website. TWF also shares information with the related Government Authorities when required.

As per Article 6 of the Law No. 6741, TWF has a three-phase audit framework: Independent external audit, Presidential audit and Parliamentary audit. TWF also conducts its own internal audit led by the Audit Committee.

Pillar 2
Institutional Framework and Governance Structure

Principle 6 Description:

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.

Principle 6 Implementation:

Following Article 6 of the Decree, organizational structure and job descriptions are clearly defined. As per Article 19 of the Decree; Executive, Human Resources, Corporate Governance, Risk and Audit committees which are attached to the Board are established under the scope of Turkish Capital Markets Law No. 6362 in accordance with the corporate governance regulations.

Principle 7 Description:

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.

Principle 7 Implementation:

TWF's strategic objectives and operations are governed by the Board that consists of representatives from the Government, public sector and private sector with diverse backgrounds and experience.

The objectives of TWF are defined under Law No. 6741. TWF also cleared its mandate and received approval for its strategic investment plan through Board resolutions on 24

October 2018 and 17 April 2019 respectively.

Principle 8 Description:

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.

Principle 8 Implementation:

The formation and governance of the Board is defined under Article 12, Article 13 and Article 14 of the Articles of Association. The Board follows Article 14.5 of the Articles of Association and the Turkish Commercial Code provisions for decision making.

Principle 9 Description:

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

Principle 9 Implementation:

The Board meets on a regular basis as the ultimately accountable and responsible body for TWF's overall governance in line with Article 15 of the Articles of Association.

TWF ManCo's senior management proposes investment and financing projects to the Board through executive-level committees and is responsible for day-to-day execution of Board decisions.

Principle 10 Description:

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

Principle 10 Implementation:

The Law No. 6741 and the Decree define the framework including executive-level committees, audit mechanism and corporate governance standards in accordance with the Capital Markets Law.

Principle 11 Description:

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.

Principle 11 Implementation:

TWF follows Article 18 of the Decree and is committed to publishing annual and financial reports through its website on a regular basis.

Principle 12 Description:

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.

Principle 12 Implementation:

As per the Law No. 6741, TWF has a 3-phase audit mechanism which are independent external audit, Presidential audit and Parliamentary audit. In addition, TWF conducts its internal audit led by the Audit Committee.

Principle 13 Description:

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.

Principle 13 Implementation:

Article 9 and Article 14 of the Decree cover the basic principles while TWF ManCo will set a Code of Conduct that will define the professional and ethical guidelines.

Principle 14 Description:

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.

Principle 14 Implementation:

All dealings and transactions with third parties are based on economic and financial grounds. TWF ManCo conducts a tender process prior to third party appointments and the relationships are governed by the related contracts and service level agreements.

Principle 15 Description:

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.

Principle 15 Implementation:

TWF does not have any overseas investment as of year-end 2019 but is committed to comply with all applicable laws and regulations in the jurisdiction of any future investment.

Principle 16 Description:

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.

Principle 16 Implementation:

TWF ManCo is the exclusive fund manager of TWF and its Board consists of representatives from the Government, public sector and private sector. The composition of the Board allows TWF ManCo to operate independently as a joint-stock company and also act in compliance with the national economic objectives.

Principle 17 Description:

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.

Principle 17 Implementation:

TWF follows Article 18 of the Decree and is committed to publishing annual and financial reports through its website on a regular basis.

Pillar 3

Investment and Risk Management Framework

Principle 18 Description:

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.

Principle 18 Implementation:

TWF cleared its mandate and received approval for its strategic investment plan through separate Board resolutions on 24 October 2018 and 17 April 2019 respectively.

All investment decisions are subject to final approval by the Board and TWF will continue publishing its annual reports through its website as per Article 18 of the Decree.

Principle 19 Description:

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.

Principle 19 Implementation:

TWF seeks to maximize the value of its portfolio assets and the return from investments as per its approved mandate.

All investment decisions are subject to final approval by the Board.

TWF ensures its assets are managed consistently with the generally accepted principles.

Principle 20 Description:

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

Principle 20 Implementation:

TWF is committed to complying with the subject Principle.

Principle 21 Description:

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.

Principle 21 Implementation:

TWF will have representation in its portfolio companies' Board of Directors to monitor and evaluate financial performance indicators. If and when necessary, TWF may exercise its ownership rights to protect its interest as appropriate. In relation to the listed entities under its portfolio, TWF follows the applicable laws and regulations.

Principle 22 Description:

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 22 Implementation:

All risk-related matters are governed by the Board through the Risk Committee.

In order to identify, assess and manage the risks, TWF will establish the necessary reporting systems as described under Article 10, Article 11 and Article 12 of the Decree.

Principle 23 Description:

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.

Principle 23 Implementation:

TWF is committed to publishing annual and financial reports through its website on a regular basis as per Article 18 of the Decree.

Principle 24 Description:

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

Principle 24 Implementation:

TWF will conduct an annual review of the implementation of the GAPP.

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Links

[1] <https://www.ifswf.org/node/1311>

[2] <https://www.ifswf.org/www.turkiyevartlikfonu.com.tr/EN>

[3] <https://www.ifswf.org/assessments>