

**Minutes of Meeting**  
**Petroleum Fund of Timor-Leste**  
**Investment Advisory Board**

*Held on 25th November 2010*

*At the Office of the World Bank*

Present:

Olgário de Castro (Chairman)  
Venancio Alves Maria, as alternate for Mr. Abraao de Vasconcelos  
Tørres Trovik (via teleconference)  
Kevin Bailey (via teleconference)

In attendance:

Vidar Ovesen, Fiscal Policy and Petroleum Fund Advisor, Ministry of Finance  
Torgrim Roll, Advisor for PF Department, BPA  
Filipe Nery Bernardo, National Adviser, Ministry of Finance  
Simen Bjornerud, Fiscal Policy and Petroleum Fund Advisor, Ministry of Finance  
Gastao de Sousa, (Secretary)

Francis Thomas, Office Managing Partner – NT, Deloitte  
Mark Leung, NT, Deloitte

The Chairman declared the meeting open at 15:30 hours, and Welcome Mr. Simen, the successor for Mr. Vidar Ovesen.

**1. Apologies**

Apologies were received from Mrs. Sara Lobo Brites and Mr. Abraao de Vasconcelos. Mr. Venancio was present as alternate for Mr. De Vasconcelos.

**2. Approval of the agenda**

The agenda for the meeting was approved.

**3. Approval of the minutes of the meeting on 14 September 2010**

The minutes of the meeting held on 14 September 2010 were approved.

#### 4. Business arising from the minutes not otherwise included in the agenda

Mr. Vidar informed the Board that a number of previous minutes on the selection of an external manager for the equity mandate, and discussions on a fixed interest mandate that had been declared confidential were no longer confidential.

The Board decided to remove the declarations of confidentiality from the following minutes, and instructed the Secretariat to republish the minutes in full:

Meeting Date and Agenda Item	Subject
26 August 2010, Section 4	Appointment of manager for equities mandate
15 April 2010, Section 6	Proposal to appoint a global equity manager
18 March 2010, Section 5	Appointment of manager for equities mandate
4 March 2010, Section 4	Appointment of manager for equities mandate
28 August 2009, Section 5	Diversification of fixed interest portfolio
19 December 2008, Section 1	Response to Minister re diversification of Fund
23 October 2008, Section 4	Response to Minister re diversification of Fund
27 August 2008, section 6	Study on implementation options

The Board also raised the issue related to the operational expenses on the management fees. The Board discussed the need and the possibility of using the management fee to acquire equipment of video conference.

The Board therefore requested the BPA to provide a list of the cost of the equipment for Board consideration in the next IAB meeting.

#### 5. Performance of External Manager and Risk Management: Presentation by the BPA

Mr. Venancio made presentation to the Board on the Petroleum Fund of Timor-Leste reporting and risk management framework. He outlining the key issues for risk management such as establishing a risk management culture and environment, identifying which risk the fund is exposed to, the necessary measures that need to be taking to manage those risks, and ensuring that those risk are limited/ minimized to an acceptable level.

The risk management framework that he raised was the financial (benchmark) risk, Fiduciary (stewardship) risk, and operational risk.

He also proposed the reporting form that will be used as PF report to the Board.

The Board notes the presentation provided.

## **6. Risk Management of the Petroleum Fund from Auditor's Perspective: Presentation by Deloitte**

Deloitte presented to the Board the risk management of the PF from the Auditor's perspective. They also raised the issue on the risk of auditing the ANP (National Petroleum Authority) regarding the revenue receipt from the oil and gas.

The Board note the information provided.

## **7. Draft Work Plan, Budget and Meeting Schedule for 2011**

Mr. Vidar presented the draft proposal of work plan to facilitate Board discussion in the next financial year of 2011 includes the meeting schedule for Board consideration.

The Board raises the issue that needs to be done before the PF Law changes, include factors exposure approach.

The Board agrees and requested the Secretariat to provide a draft paper on other mandate of 5% that has been given to the BIS to see the possibility to invest in the equity, before PF Law changes, to facilitate Board discussion in the next IAB meeting.

## **8. Presentation of SWF's Scoreboard (Peterson's Institute, September 2010)**

Mr. Filipe made a presentation to the Board on the SWF scoreboard that conducted by E.M. Truman, published at the Peterson Institute for International Economics (PIIE) website which examines the role of Sovereign Wealth Fund (SWFs) in the global economy and financial system.

The survey ranked the PF of Timor-Leste at number 11 out of 53 SWFs surveyed in 2009, dropped from 3 in 2007, however the overall score has improved from 2008. The drop in ranking was mainly due to the absence of the guidelines for corporate social responsibility and ethical guidelines.

The Board noted the information provided, while underscore that Timor-Leste currently is concentrating on how to diversify the portfolio.

## **9. Other Business**

The chairman informed the Board about Mr. Vidar Ovesen last participation in the IAB meeting due to the end of his assignment with the Minister of Finance and therefore the IAB.

All of the Board members expressed their appreciation to Mr. Vidar for his excellent contribution to the PF management especially to the Board and the Secretariat during his assignment and welcomed his successor, Mr. Simen Bjornerud.

As there was no other business the Chairman declared the meeting closed at 18.45 hours.

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**Chairman**

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**Secretary**