

# **Petroleum Fund of Timor-Leste**

## **Investment Advisory Board**

In accordance with Article 16.4 of Law Number 9/2005 as amended by Law 12/2011 on the Petroleum Fund of Timor-Leste, the Investment Advisory Board (IAB) hereby adopts the following:

### **OPERATIONAL REGULATIONS**

#### **Article 1** **Membership**

1. According to Article 17.1 of the Petroleum Fund Law, the IAB shall consist of 5 members or more. At least 3 members shall possess significant experience in investment management. The members are appointed by the Prime Minister on the advice of the Finance Minister.
2. According to Article 17.2 of the Petroleum Fund Law, the Director of Treasury and a representative of the Operational Manager shall be entitled to participate in meetings of the IAB, without the right to vote.
3. A vacancy in any of the above positions shall not invalidate the composition of the Board.
4. Members shall comply with the provisions of Annex A regarding standards of conduct, confidentiality and travel.
5. Members shall comply with the provisions of Annex C regarding conflicts of interest.
6. Under Article 17.4 of the Petroleum Fund Law, the dispatch from the Prime Minister appointing the Members of the IAB shall determine their remuneration, in conformity with the applicable legislation.
7. In accordance with Article 17.5 of the Petroleum Fund Law, the Members of the IAB shall prior to being sworn in present written statements to the Prime Minister saying that their appointment does not present conflicts with any other personal or family interests. The Members of the Investment Advisory Board shall also provide in writing lists of their patrimony to the Prime Minister on the date of the swearing-in. Individual declarations shall be considered confidential.
8. The Director of Treasury and the Head of the Operational Manager may appoint an alternate to attend a meeting of the Board. Such alternate shall have the powers and responsibilities of the appointing member.
9. Other persons may attend meetings as observers with the consent of the Board, and may have the right to speak at the permission of the Chairman of the meeting.
10. The Board may call on such other parties as it deems necessary to provide advice and other input to the Board as the Board may require.
11. Members of the Board are not authorised to speak on behalf of the Board without the Board's consent.

**Article 2**  
**Chairman**

1. The meetings of the Board shall be chaired by a Chairman, to be elected by the Board.
2. The chairman shall be elected for one year at a time and may be re-elected.
3. In the absence of the Chairman the meeting shall elect a chairman for the meeting from the members present.

**Article 3**  
**Functions**

1. The Board shall undertake the functions assigned to it in Law number 9/2005 as amended by Law number 11/2011 on the Petroleum Fund of Timor-Leste, including:
  - a. Drafting benchmarks for the Minister so as to assess the behaviour and return of investments made from the Petroleum Fund, as well as appropriateness of risks;
  - b. Advising the Minister in what concerns her/his investment instructions to the Petroleum Fund investment managers appointed under article 12;
  - c. Advising the Minister in what concerns the performance assessment of the external investment managers and make recommendations regarding the approval or termination of their respective contracts; and
  - d. Advising the Minister in what concerns the need to make changes to the investment policy or to the Petroleum Fund management.
2. The Board may additionally provide advice concerning other related issues on its initiatives or at the request of the Finance Minister.
3. The Board and its Secretariat shall work in accordance with Annex B.

**Article 4**  
**Secretariat**

1. The Secretariat shall undertake the functions assigned to it in Law number 9/2005 as amended by Law number 11/2011 on the Petroleum Fund of Timor-Leste, including:
  - a. Preparation of notices of meeting to the members of the Board;
  - b. Preparation of reports, recommendations, background papers and other information to be submitted to meetings of the members of the Board;
  - c. Preparation of technical advice and recommendations to the Board, including special reports on the operations of the Fund as may be requested by the Board;
  - d. Arrangement of facilities to hold the meetings of the Board;
  - e. Preparation and distribution of minutes of meetings of the Board;

- f. Administering the meeting expenses of the Board, including remuneration of the members, the cost of which unless otherwise agreed shall be met from the State budget.

## **Article 5**

### **Organization of the Secretariat**

1. The Secretariat shall consist of:
  - a. The Secretary, who is responsible for keeping all Board records and execute such other administrative functions as may be required by the Board. The Board shall appoint the Secretary from the staff of the central bank on the advice of the head of the central bank.
  - b. One of more members from the Operational Manager appointed by the Head of the Operational Manager.
  - c. One of more members from the Ministry of Finance appointed by the Minister of Finance.
2. The Secretariat shall attend all board meetings.
3. The Secretariat shall draw on relevant resources from the BCTL and MoF, including additional staff, consultants and advisers, if necessary, to fulfil its obligations.

## **Article 6**

### **Meetings**

1. Regular meetings of the Board shall be held four times per year, to be held during the first month following the end of each calendar quarter unless otherwise decided by the Chairman.
2. Extraordinary Meetings of the Board may be called by the Chairman, and shall be called within five working days of receipt of a written application of a majority of members.
3. The Chairman shall without delay notify the members of the Board on receipt of a request for advice from the Minister and shall convene a meeting to meet the deadline for submitting such advice.
4. Meetings of the Board shall be convened by communicating the time, venue and agenda of the meeting to all members of the Board in a notice of meeting in written or electronic form at least five working days before the date of the meeting except in exceptional circumstances where a meeting may be convened at shorter notice.
5. Notice of cancellation or postponement of a meeting of the Board shall be communicated to the members of the Board in an appropriate and expeditious manner.
6. The Draft Agenda for the Meeting shall be determined by the Chairman after consultation with the Board and the Secretariat. Any member can require an item be included in the meeting agenda. The draft agenda, together with background written material, shall be

circulated at least five working days before the date of the meeting except in the case of special short-notice meetings.

7. Members shall adopt the agenda at the beginning of each meeting and may delete, defer or amend items. Items may be added to the agenda at the discretion of any member of the Board.

#### **Article 7 Documentation**

1. A document circulated with a notice of meeting or recorded in the Board's minutes as being tabled or considered at a meeting of the Board shall be a Board Document, without prejudice to the institutional ownership of the document. Informal communications between members or between members and the Secretariat shall not be considered to be Board Documents.
2. Advice formally given by the Board to the Minister should be justified by Board Documents, copies of which shall be retained by the Secretariat of the Board.
3. In the absence of specific determination by the Board, Board Documents shall be considered as Public Documents. A public document should be easy accessible.
4. The Board can classify a Board Document, or part of a Board Document, as confidential based on one or more of the criteria set in Article 32.2 of the Petroleum Fund Law.
5. In the event that a Board Document is classified by the Board as confidential in accordance with no. 4, the Board shall provide a clear and thorough explanation of the motives behind the classification, including the criteria for declassification. It is the responsibility of the IAB Secretariat to make sure the declassification is implemented according to the timeline.

#### **Article 8 Quorum**

1. The quorum for meetings of the Board shall be three voting members.
2. A member of the Board shall be deemed to be in attendance at a meeting if in communication by telephone or teleconference, provided that he or she is capable of fully participating in all discussions and decisions.

#### **Article 9 Voting Procedures**

1. The Board shall strive to reach decisions by consensus. If efforts to reach a consensus fail, the matter shall be resolved by vote.
2. In considering motions put before the Board, each voting member of the Board present at a meeting shall have a single vote, being either for or against the motion.
3. Members may abstain from voting on an issue.

4. The minutes of the meeting shall record the number of votes for and against, and shall note the number of abstentions.
5. Members shall have the right to request inclusion in the minutes of a brief explanation of the arguments they have presented to the meeting with respect to their vote.
6. Members having a conflict of interest in a motion shall refrain from voting on that motion, and the name of the member shall be recorded as "Absent for the vote due to a declared conflict of interest."
7. In the event of a tied vote, the Chairman shall have an additional casting vote.

**Article 10**  
**Financial Arrangements**

1. The Board shall have no income.
2. The Board's secretarial expenses shall be met by the central bank.
3. The Board shall have the power to propose, review and ratify expenditure within the budget allocated for the purpose relating to the conduct of its business.

**Article 11**  
**Minutes**

1. The proceedings of the meetings of the Board shall be recorded in minutes.
2. The Secretary of the Board shall prepare draft minutes of all meetings and submit the minutes within five working days to the members of the Board.
3. Minutes of the meeting of the Board shall be presented for approval at the following meeting of the Board.
4. Approved minutes of the meetings of the Board shall be signed by the Chairman, or in the absence another member presiding at the meeting.
5. All approved minutes of the Board are deemed to be public records, with the exception of confidential matters as determined by article no. 7.
6. The Minutes of the Board shall be published no later than five working days after they are approved by the Board.

**Article 12**  
**Appointment of Committees and other bodies**

The Board shall have the power to appoint committees, sub-committees, working groups, and similar groups in order to expedite the conduct of its business, and to determine the terms of reference and powers relating to such appointments.

**Article 13**  
**Modification of Operational Regulations**

1. All proposed changes to these Operational Regulations shall be notified in writing to the Members of the Board with the notice of meeting at which the proposal is to be considered.
2. These Operational Regulations may be modified by a quorum at a meeting of the Board for which proper notice has been given under section 1.
3. These rules and any amendments thereto shall be published.

Approved at the meeting of the Board held on 19th Dec 2012.

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Chairman

## **ANNEX A**

### **STANDARDS OF CONDUCT, CONFIDENTIALITY, TRAVEL AND STATUTORY DECLARATIONS**

#### **1: Standards of conduct**

Members of the Investment Advisory Board (herein, "members"), when performing their duties, shall at all times conduct themselves in a manner befitting their responsibilities. Members shall at all times exercise honesty, integrity, discretion and tact in the performance of their duties.

Members shall not seek or receive instruction from any government official with regards to their role in the IAB.

Members shall not directly or indirectly solicit or accept gifts or favors from any source that would compromise their independence as IAB members.

#### **2: Confidentiality**

Members of the Board shall not disclose any information received in their official capacity from any party associated with the management of the Petroleum Fund, the Board, the Secretariat, or a member of the public, where the information is designated by that entity as confidential or proprietary.

Members shall not use for personal gain information acquired in their official capacity, unless such information is in the public domain or such use is authorized by the Board.

Members shall comply with such rules and procedures as the Board may adopt regarding the disclosure and use of information and materials of the Board.

#### **3: Travel**

All official travel undertaken by members must be authorised in advance of the travel taking place, and the existence of sufficient budgetary provision confirmed.

Payment for official travel expenses will be based on reasonable and documented expenditures for accommodation, meals, air fares and related expenditures.

#### **4: Declarations of Assets and Income**

Members shall submit Declarations of Assets in accordance with the Petroleum Fund law and these Rules of Procedure.

## ANNEX B

### RELATIONSHIP BETWEEN THE INVESTMENT ADVISORY BOARD, ITS SECRETARIAT, THE BCTL AND THE MINISTRY OF FINANCE

The IAB's role (PFL 16.1):

- developing performance benchmarks
- advising on the investment instructions to Investment Managers and the performance of managers
- making recommendations on the appointment or removal of external managers external
- advising on the need for changes in the overall investment strategy or management of the Petroleum Fund

Investment Advisory Board

The IAB (PFL 16.2):

- Give advice to the Minister on investment strategy or management of the PF

The Minister (PFL 11.2&16.2):

- Seek advice before making any decision on any matter relating to the investment strategy or management of the PF

Secretariat

Secretariats role (Clause 4 MA):

- Preparation of notices of meeting, minutes, reports, financial accounts, recommendations, background papers and other information, technical advice and recommendations
- Arrangement of facilities to hold the meetings of the Board
- Administering the meeting expenses of the Board

BCTL

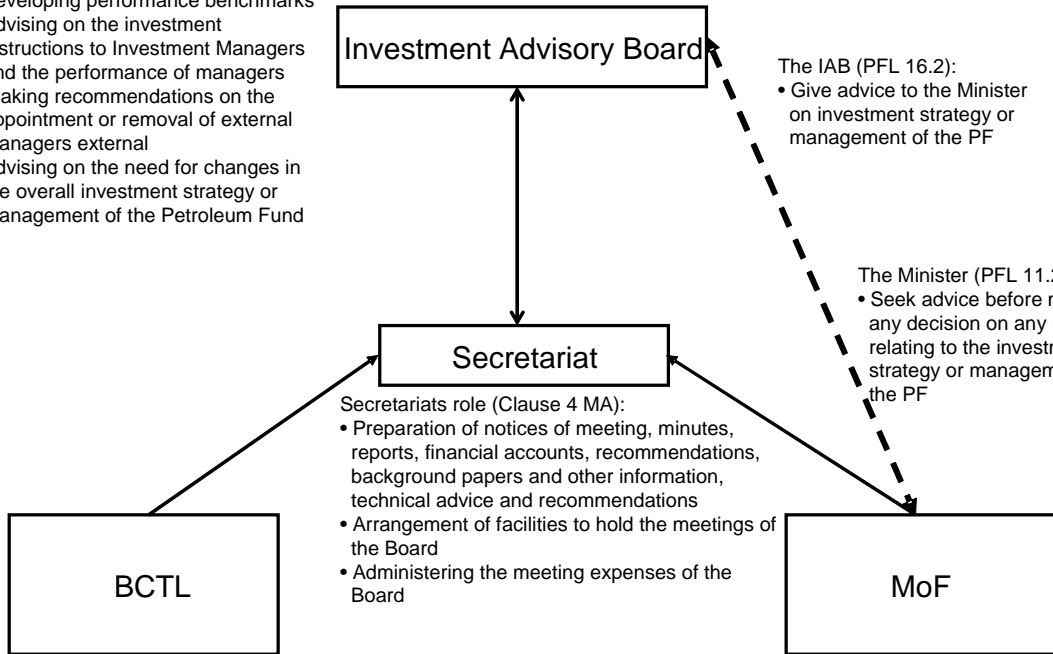
BCTL's role:

- Provide the Secretariat (PFL 17.2)
- Maintain the Secretariat (Clause 4 MA)

MoF

MoF's role (PFL 17.3)

- Provide a person to sit on the secretariat





## **ANNEX C**

### **CONFLICTS OF INTEREST**

A conflict of interest is any situation in which a Board member's personal or professional interests may, or may appear to, influence or affect the Board member's decision making.

It is a fundamental obligation of the members of the Investment Advisory Board to act in good faith and in the best interests of the Petroleum Fund and the Timorese people. This obligation includes disclosure of potential conflicts of interests. Disclosure is primarily the responsibility of the conflicted Board member, and secondarily the responsibility of any other Board member with knowledge that a potential conflict of interests exists.

The following procedures are intended to provide a practical balance between the protection of the legal and ethical positions of those involved while preserving the general principle that the Petroleum Fund should be entitled to the collective wisdom of all its Advisory Board members.

#### ***Procedure***

1. In the event that a conflict of interest may exist, the Board member shall disclose the nature and extent of his interests to the Board. Failing which, any Board member aware that a conflicted situation may exist, shall raise the matter with the Board.
2. After the disclosure of interest by the Board member, the decision whether or not a conflict of interest is present shall be made by the rest of the Board members who will; infer from the analyses of the circumstances presented, take into account the Petroleum Fund Law, other Timorese laws and regulations governing the behaviour of government members and statutory bodies, and the best business practices and conventions, to determine if the presence of other interests is likely to influence the way the Board member participates in deciding the Board matter.
3. If the Board (excluding the conflicted member) decides that a conflict of interest is present, the conflicted member shall have no right to vote on the Board matter. Also, the conflicted member should not participate in discussions on the Board matter except if invited to do so by the Board, or if the Board and the conflicted member believe that the Board will otherwise make an unsound decision.
4. A Board member that has a persistent and material conflict of interest should resign from his position; otherwise the Board (excluding the conflicted member) should propose his or her dismissal to the Board appointing authority.

#### ***Rights of the Conflicted Member***

1. A conflicted member shall be entitled to be given notice of Board meetings discussing the Board matter with which he or she has a conflict of interest.
2. A conflicted member shall be permitted to attend all meetings discussing the Board matter with which he or she has a conflict of interest.

3. The presence of a conflicted member shall be included in the quorum for the meeting; though the quorum is reached through the presence of non-conflicted members.
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