

The Wyoming Principles.

The Santiago Principles are the generally accepted principles and practices of sovereign wealth funds established by the International Forum of Sovereign Wealth Funds. Wyoming legislators and executive officials over the years have ensured that most of these sound principles are embodied in the structure and implementation of Wyoming's investment portfolio. The following "Wyoming Principles" citing our constitution, statutes, and policy demonstrate the extent to which Wyoming follows these Santiago Principles and show where the State has room for improvement. The Wyoming principles address each of the Santiago Principles:

1. A sound legal framework. ✓ Wyoming follows this principle.

Constitutionally:

Wyo. Const. Art. 15, § 19: creation of Permanent Mineral Trust Fund

Wyo. Const. Art. 7, § 2: creation of Common School fund

Wyo. Const. Art. 7, § 6: school trust funds

Wyo. Const. Art. 15, § 20: Higher Education Endowment fund

Wyo. Const. Art. 18 §§ 1, 2, 4, 6: public lands and donations

Statutorily:

W.S. §§ 9-1-409, 9-4-714 et seq. (and see 4. Below)

Investment Policy Statement (informed by the Investment Funds Committee and adopted by the Wyoming State Loan and Investment Board). <https://statetreasurer.wyo.gov/investments/>

2. A well-defined mission ✓ Wyoming follows this principle.

The State Treasurer's mission: To serve the people of Wyoming by receiving, safeguarding, and investing all funds in the possession of the State for purposes of safekeeping or investment in a prudent manner while complying with directives of Wyoming's Constitution and Statutes. <https://statetreasurer.wyo.gov/>

Investment Policy Statement: It is the policy of the Board to invest public funds of the State in a manner that strives for the highest possible risk-adjusted total return consistent with an appropriate level of safety, liquidity, and consideration of the unique circumstances for each fund.

3. Domestic activities coordinated with fiscal and monetary authorities. ✓ Wyoming follows this principle to the extent applicable.

Where the sovereign wealth fund 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.

- We coordinate with Legislature and CREG.

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4. Clearly defined rules for drawdowns. ✓ Wyoming follows this principle.

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.

GAPP 4.1. Subprinciple. The source of SWF funding should be publicly disclosed.

GAPP 4.2. Subprinciple. The general approach to withdrawals from the SWF and spending on behalf of the government should be publicly disclosed.

- Wyoming Constitution Article 7 § 2, 6; Article 15 §§ 19, 20; Article 18 §§ 1, 2, 4, 6
- Wyoming Statutes and Session Laws
 - W.S. 9-1-401; 9-1-409 through 9-1-418
 - W.S. 9-1-507(j)(i)
 - W.S. 9-4-217
 - W.S. 9-4-305
 - W.S. 9-4-401
 - W.S. 9-4-501 through 9-4-503
 - W.S. 9-4-601 and 9-4-602
 - W.S. 9-4-607
 - W.S. 9-4-714 through 9-4-719
 - W.S. 9-4-831
 - W.S. 9-4-833
 - W.S. 9-4-1203
 - W.S. 9-15-103
 - W.S. 9-17-111
 - W.S. 11-34-129
 - W.S. 14-8-106
 - W.S. 16-1-111
 - W.S. 18-7-201 through 18-7-205
 - W.S. 21-13-303(c) and 21-13-304
 - W.S. 21-13-316
 - W.S. 21-16-714
 - W.S. 21-16-1201 through 21-16-1203
 - W.S. 21-16-1302
 - W.S. 21-18-319
 - W.S. 21-22-101 and 21-22-102
 - W.S. 27-14-701
 - W.S. 41-2-124
 - 2019 Ch. 156, Section 5
 - 2020 Ch. 116, Section 2
 - 2020 Ch. 116, Section 303(g)
- Wyoming Investment Policy Statement, Sections 4, 7, 8, 9, 10, 12

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5. Transparency to the owner. ✓ Wyoming follows this principle.

- Statutory: W.S. §§ 9-4-716 & -718: Quarterly reporting required of investment managers to investment consultant, which reports quarterly to State Loan and Investment Board (SLIB). Reporting to Legislature.
- Investment Policy: Reporting by Treasurer and Consultant to SLIB.
- Reporting posted to Treasurer's website.

6. Clear division of roles. ✓ Wyoming follows this principle.

- **Legislature:** Sets risk profile, other investment statutes.
- **State Loan and Investment Board (SLIB):**
 - Sets the Investment Policy Statement as directed by W.S. 9-4-716(a) Requires SLIB approval of alternative investment terms W.S. 9-4-715(c).
 - Reviews and approves investment managers W.S. 9-4-718.
 - Reviews and approves asset allocations W.S. 9-4-715(d).
- **STO:** Constitutional officer (Wyo. Const. Article 4 §12); has myriad duties including to employ chief investment officer W.S. 9-4-715(a).
- **IFC:** establish benchmarks; monitor investment in alternatives; review state policies and procedures; recommend statutory, rule and policy modifications; consult with STO regarding policy. W.S. 9-4-720
- **Internal and external investment managers:** Duties pursuant to statute and investment policy

7. Governing bodies appointed in a predetermined manner. ✓ Wyoming follows this principle.


- Governor, Secretary of State, Auditor, Treasurer, Superintendent are constitutional officers and funds. Wyo. Const. Article 4 §§ 1, 12
- Statutory creation of SLIB as Governor, Treasurer, Auditor, Secretary of State, and Superintendent of Public Instruction, created by W.S. 11-34-102(b)
- Investment Policy further defines SLIB's role


8. Governing bodies that act in the best interest of the SWF. ✓ Wyoming follows this principle.

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.

- Statutes: Reasonably prudent investor. W.S. § 9-4-715(d)
- Investment Policy: Section 3. SLIB as fiduciaries required to act as reasonable prudent investor, act ethically, avoid conflicts of interest.

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9. Independence.  Wyoming needs some changes to be able to follow this principle.

- The operational management of the sovereign wealth fund should implement the sovereign wealth fund's strategies in an independent manner and in accordance with clearly defined responsibilities. ✓
- The management of the sovereign wealth fund responsible for its day-to-day operations should have the authority to make individual investment decisions, ✓
- The management of the sovereign wealth fund responsible for its day-to-day operations should have the authority to make operational decisions relating to staffing and financial management (subject to strategic direction from and accountability to the owner or the governing body(ies)). 

The remaining authority required to satisfy this recommendation is that of independence related to staffing and financial management, i.e. budgeting.

10. Formal definition of accountability. ✓ Wyoming follows this principle. Constitutionally, statutorily (ie through Reasonably Prudent Investor standard), policy (through roles, obligations in investment policy statement).

11. Annual reporting. ✓ Wyoming follows this principle.

Wyoming Statutes and the Investment Policy Statement requires reporting.

W.S. 9-1-409(f)

W.S. 9-4-715(a),(b),(n),(q)

W.S. 9-4-719(p)

W.S. 9-4-720(f)

Investment Policy Statement Sections 4.6, 4.7, 4.10, 19.4, 19.5

12. Independent auditors. ✓ Wyoming follows this principle.

- Statutorily: 9-1-403, etc.
- Investment policy: section 4.10

13. Ethics and professionalism. ✓ Wyoming follows this principle.

- Statutorily (Ethics Act) W.S. §§ 9-13-101 et seq.
- Wyoming Executive Order on Ethics, 1997-004.
- Investment policy: Section 3.2

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14. Rules-based outsourcing. ✓ Wyoming follows this principle.

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.

Statutory, investment policy, and in contracts.

- Follow procurement law and policy for outsourcing.
- Follow Enterprise Technology Service law and policy for IT contracts.
- Standardized AG contracting, conflict of interest provisions, provisions prohibiting placement fees/kickbacks

15. Ability to abide by rules of foreign countries. ✓ Wyoming follows this principle.

- International tax treaties, tax relief at source, tax reclaims
- Contractual provisions address situations involving foreign countries.

16. Operational independence from the owner. 

We need additional authority to make operational decisions relating to personnel, budgeting, purchasing.

17. Public transparency. ✓ Wyoming follows this principle.

Statutorily: Wyoming Public Records Act, W.S. §§ 16-4-201 et seq.

18. Clear investment policies ✓ Wyoming follows this principle.

Statutorily SLIB is required to create investment policy statements.

19. Commercial orientation. ✓ Wyoming follows this principle.

The sovereign wealth fund'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.

- Statutes: W.S. §§ 9-4-715(r), 9-4-720(f)(i) – maximize total net returns while protecting principal in a manner that strives for the highest possible risk adjusted total return consistent with an appropriate level of safety, liquidity and consideration of the unique circumstances for each fund;
- Investment Policy: Section 2 – invest public funds of the State in a manner that strives for the highest possible risk-adjusted total return consistent with an appropriate level of safety, liquidity, and consideration of the unique circumstances for each fund

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20. Restrictions against using privileged information. ✓ Wyoming follows this principle.

- Statutory: Wyoming Public Records Act, W.S. §§ 16-4-201 et seq – cannot disclose privileged or confidential financial, trade secret information.
- Policy: Confidentiality provisions, Section 3.2(d)
- Contractual: standard confidentiality provisions in contracts with investment managers and others

21. Shareholder rights policies. ✓ Wyoming follows this principle.

- Statutory: W.S. § 9-4-718 – investment manager duties to the State
- Investment Policy Statement: Section 4 – Investment manager duties; Section 14 -- Proxy voting; other rights throughout policy
- Contractual – establish shareholder rights in contracts.

22. Effective risk management. ✓ Wyoming follows this principle.

- Constitutional: inviolate funds
- Statutorily: W.S. §§ 9-4-715(r), 9-4-720(f)(i) – maximize total net returns while protecting principal in a manner that strives for the highest possible risk adjusted total return consistent with an appropriate level of safety, liquidity and consideration of the unique circumstances for each fund
- W.S. § 9-4-715(d) IFC, Treasurer, fiduciaries must exercise judgment and care of a prudent investor, evaluate the risk of investments using a strategy based on the principles of the capital market theory which are generally accepted and followed by institutional investors including long-term investors. This strategy includes a consideration of the following: (A) Risks shall be mitigated through diversification of asset classes and investment approaches and through diversification of individual securities; (B) Prudent risk taking is a necessary element of long-term investing and is needed to achieve the long-term objectives of a fund.
- Policy:
 - Treasurer must ensure Internal Controls, Section 4.3(c);
 - Fiduciaries must be reasonably prudent investors, Section 3.1.
 - Fiduciaries must invest public funds of the State in a manner that strives for the highest possible risk-adjusted total return consistent with an appropriate level of safety, liquidity, and consideration of the unique circumstances for each fund, Section 2

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23. Proper reporting of performance. ✓ Wyoming follows this principle.

Wyoming Statutes

W.S. 9-1-409(f)

W.S. 9-4-715(a),(b),(n),(q)

W.S. 9-4-719(p)

W.S. 9-4-720(f)

Investment Policy Statement Sections 4.6, 4.7, 4.10, 19.4, 19.5

24. Regular reviews to ensure its compliance with the foregoing Santiago Principles

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(<https://www.ifswf.org/santiago-principles-landing/santiago-principles>):

GAPP 1. Principle The legal framework for the SWF should be sound and support its effective operation and the achievement of its stated objective(s).

GAPP 1.1. Subprinciple. The legal framework for the SWF should ensure legal soundness of the SWF and its transactions.

GAPP 1.2. Subprinciple. 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.

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

GAPP 3. Principle 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.

GAPP 4. Principle 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.

GAPP 4.1. Subprinciple. The source of SWF funding should be publicly disclosed.

GAPP 4.2. Subprinciple. The general approach to withdrawals from the SWF and spending on behalf of the government should be publicly disclosed.

GAPP 5. Principle 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.

GAPP 6. Principle 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.

GAPP 7. Principle 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.

GAPP 8. Principle 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.

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

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

GAPP 11. Principle 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.

GAPP 12. Principle The SWF's operations and financial statements should be audited annually in accordance with recognized international or national auditing standards in a consistent manner.

GAPP 13. Principle Professional and ethical standards should be clearly defined and made known to the members of the SWF's governing body(ies), management, and staff.

GAPP 14. Principle 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.

GAPP 15. Principle 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.

GAPP 16. Principle 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.

GAPP 17. Principle 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.

GAPP 18. Principle 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.

GAPP 18.1. Subprinciple. The investment policy should guide the SWF's financial risk exposures and the possible use of leverage.

GAPP 18.2. Subprinciple. 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.

GAPP 18.3. Subprinciple. A description of the investment policy of the SWF should be publicly disclosed.

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GAPP 19. Principle 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.

GAPP 19.1. Subprinciple. 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.

GAPP 19.2. Subprinciple. The management of an SWF's assets should be consistent with what is generally accepted as sound asset management principles.

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

GAPP 21. Principle 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.

GAPP 22. Principle The SWF should have a framework that identifies, assesses, and manages the risks of its operations.

GAPP 22.1. Subprinciple. 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.

GAPP 22.2. Subprinciple. The general approach to the SWF's risk management framework should be publicly disclosed.

GAPP 23. Principle 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.

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