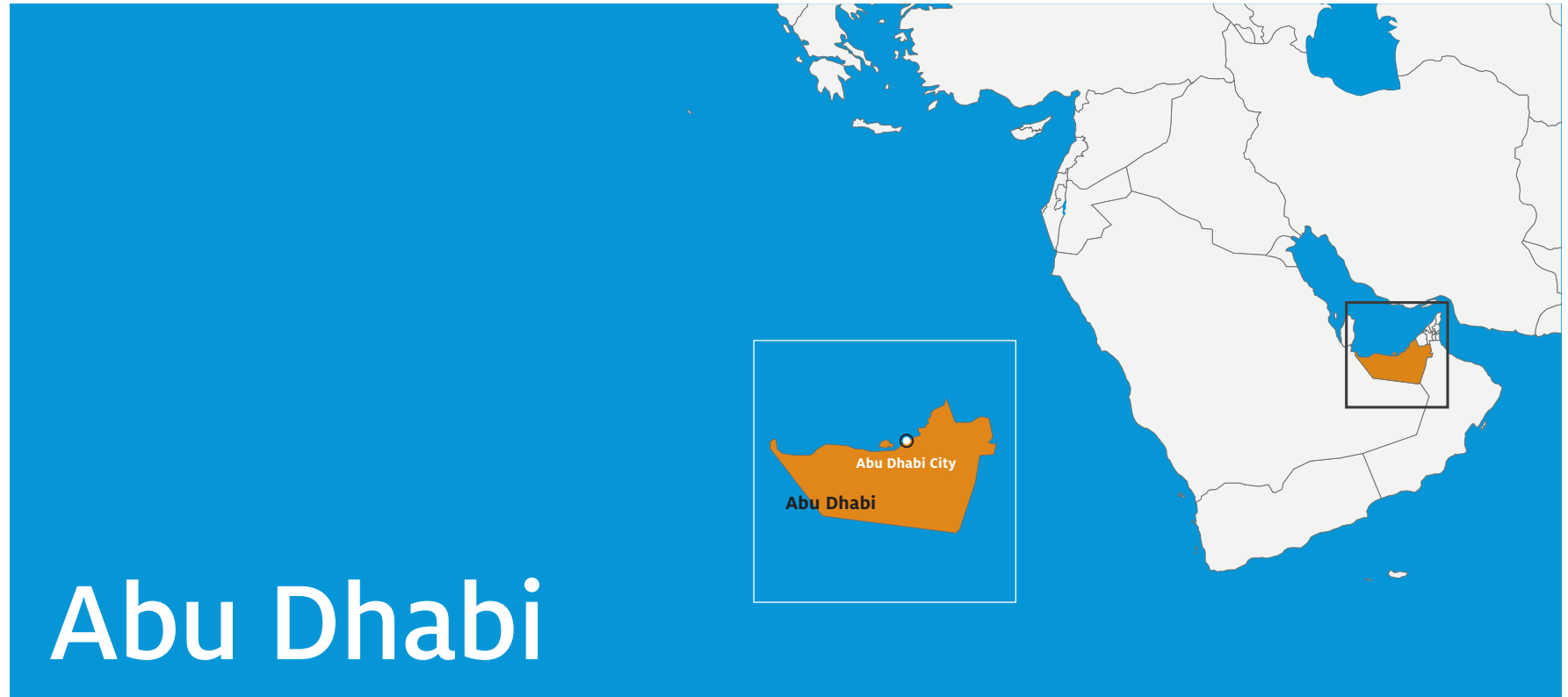


Natural Resource Funds



Abu Dhabi

Abu Dhabi Investment Authority



Market Value

Abu Dhabi Investment Authority
\$627 billion

Santiago
Compliance
Index

53 / 100

Resource
Governance Index
Natural Resource
Fund Score

not yet rated

Truman Sovereign
Wealth Fund
Scoreboard

58/100

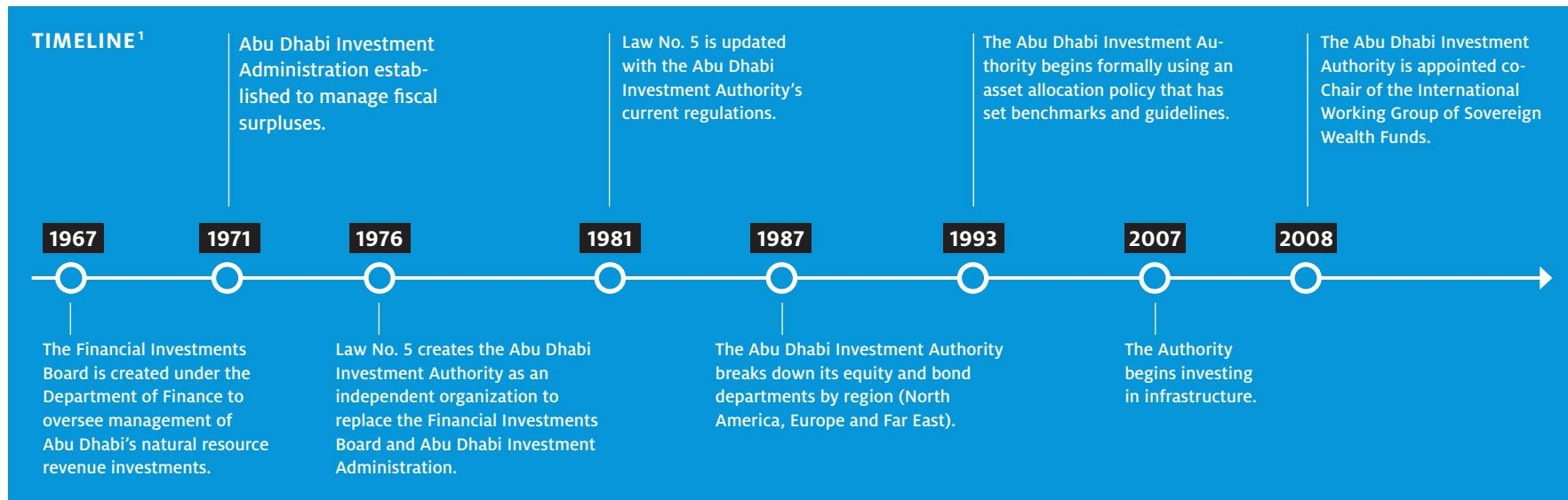
Good Governance Fundamentals	
Clear Deposit Rules	no
Clear Withdrawal Rules	no
Clear Investment Rules	yes
Transparent	no
Publicly Available Audits	no
Effective Oversight	no

Fund Highlights

- The Abu Dhabi Investment Authority, founded under a different name in 1967, is the largest of Abu Dhabi's three natural resource funds.
- The Authority is financed through fiscal surpluses from oil revenues as well as direct deposits from the Abu Dhabi National Oil Company.
- The size of annual deposits and withdrawals are arbitrary and not subject to a long-term fiscal rule.

- Investment risk is controlled by diversifying investments and through target asset class allocations.
- While the Authority operates independently of the government on paper, the Board of Directors is comprised mostly of ruling family members.
- The Authority releases annual reports, however, these reports are not made public and very little information is available on the Authority's investments or other activities.

Timeline and Fund Objectives



Fund Inception

- The precursors to the Abu Dhabi Investment Authority, the Financial Investments Board and Abu Dhabi Investment Administration, were created in 1967 and 1971 respectively.²
- The Abu Dhabi Investment Authority was first established by **Law No. 5 of 1976** to invest and manage Abu Dhabi's natural resource revenues, replacing the Financial Investments Board and Abu Dhabi Investment Administration. Its governing regulations were updated in 1981.³

Fund Objectives

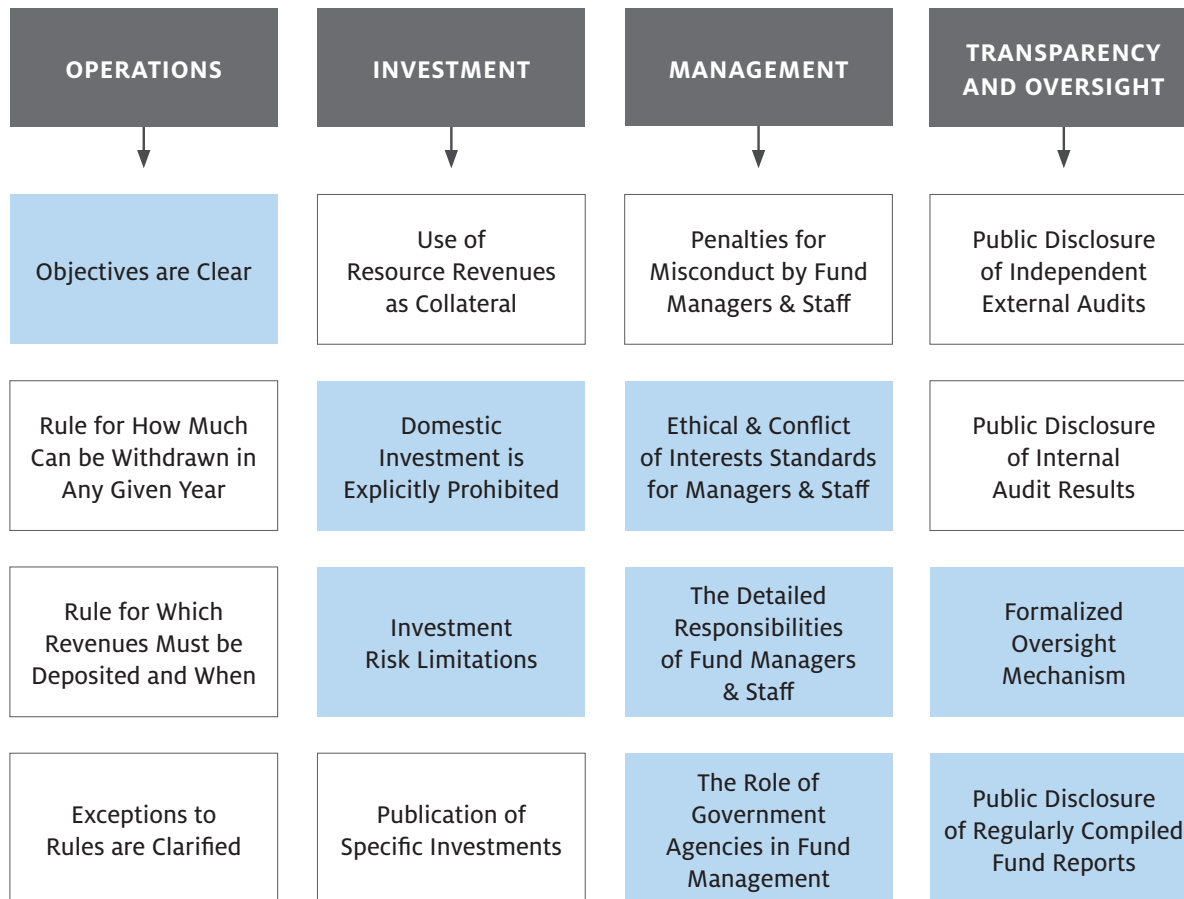
- The Abu Dhabi Investment Authority is a **future generations savings fund**.⁴ It is the oldest and largest of Abu Dhabi's many sovereign wealth funds.
- The Authority's purpose is to manage and invest Abu Dhabi's natural resource revenues, especially any financial surplus from oil exports, for the future welfare of the government of Abu Dhabi and the benefit of future generations.⁵

Good Governance Standards and Gaps in Regulation


Each box represents a regulatory standard essential for promoting consistent use of and safeguarding resource revenues. White boxes highlight regulatory gaps in fund governance.

8/16

Good Governance Standards Met



 Presence of Regulation

 Absence of Regulation

Operational Laws, Rules and Policies

Fiscal surpluses and an undisclosed percentage of Abu Dhabi National Oil Company profits are deposited into the Authority.

Fund Deposit Rules

- The Government of the Emirate of Abu Dhabi deposits budget surpluses into the Abu Dhabi Investment Authority that are derived from petroleum revenues. Petroleum revenues are not defined, but in practice they include taxes on oil companies as well as profits from the Abu Dhabi National Oil Company. Income from investments is reinvested.⁶
- The Abu Dhabi National Oil Company pays an undisclosed percentage of its income directly into two natural resource funds, the Abu Dhabi Investment Council and the Abu Dhabi Investment Authority.⁷

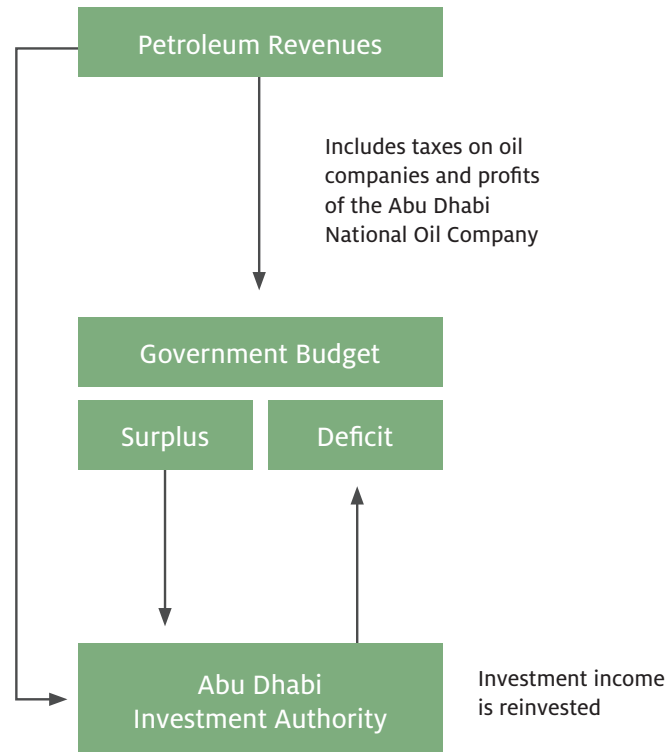
Fund Withdrawal Rules

The Abu Dhabi Investment Authority is required to make funds available for withdrawal by the Government whenever needed. Withdrawals occur infrequently and usually during prolonged periods of historically low petroleum prices.⁸

Operational Laws, Rules and Policies

Flow of Funds

Undisclosed portion of Abu Dhabi National Oil Company's profits are directly deposited into the Abu Dhabi Investment Authority



Investment Laws, Rules and Policies

Investment Authority

The Abu Dhabi Investment Authority's Managing Director is appointed by the Ruler of the Emirate through a decree and vested with the authority to implement investment decisions.⁹

Investment Strategy

- The Abu Dhabi Investment Authority chooses an undisclosed level of risk and then attempts to maximize returns within those parameters. The Authority takes a long-term approach to investments.¹⁰
- The Authority uses fixed weighting of over two dozen asset classes and sub-categories to achieve what they call a "neutral benchmark", their undisclosed long-run target rate of return.¹¹

Investment Allocation¹²

The Abu Dhabi Investment Authority's investments are diversified according to the following target allocation by asset class:

- Developed equities 32-42 percent
- Emerging market equities 10-20 percent
- Small cap equities 1-5 percent
- Government bonds 10-20 percent
- Credit 5-10 percent
- Alternative 5-10 percent
- Real estate 5-10 percent
- Private equity 2-8 percent
- Infrastructure 1-5 percent
- Cash 0-10 percent

The Abu Dhabi Investment Authority's investments are diversified according to the following target allocation by geographic region:

- North America 35-50 percent
- Europe 20-35 percent
- Developed Asia 10-20 percent
- Emerging markets 15-25 percent

Actual Investments

- The Abu Dhabi Investment Authority does not publish information on actual investments by class or geographic region.

Policy on In-State Investments

- The Abu Dhabi Investment Authority does not invest in the United Arab Emirates and rarely in the Gulf region.¹³

Management and Accountability

Management and internal accountability

The Government of Abu Dhabi, under the former Emir of Abu Dhabi, passed the legislation creating the Abu Dhabi Investment Authority.

The Board of Directors has ultimate oversight over the Abu Dhabi Investment Authority's management. The Board's members are appointed by the Emir of Abu Dhabi, with over half of its members coming from Abu Dhabi's ruling family. The Emir also serves as the Board's Chairman.

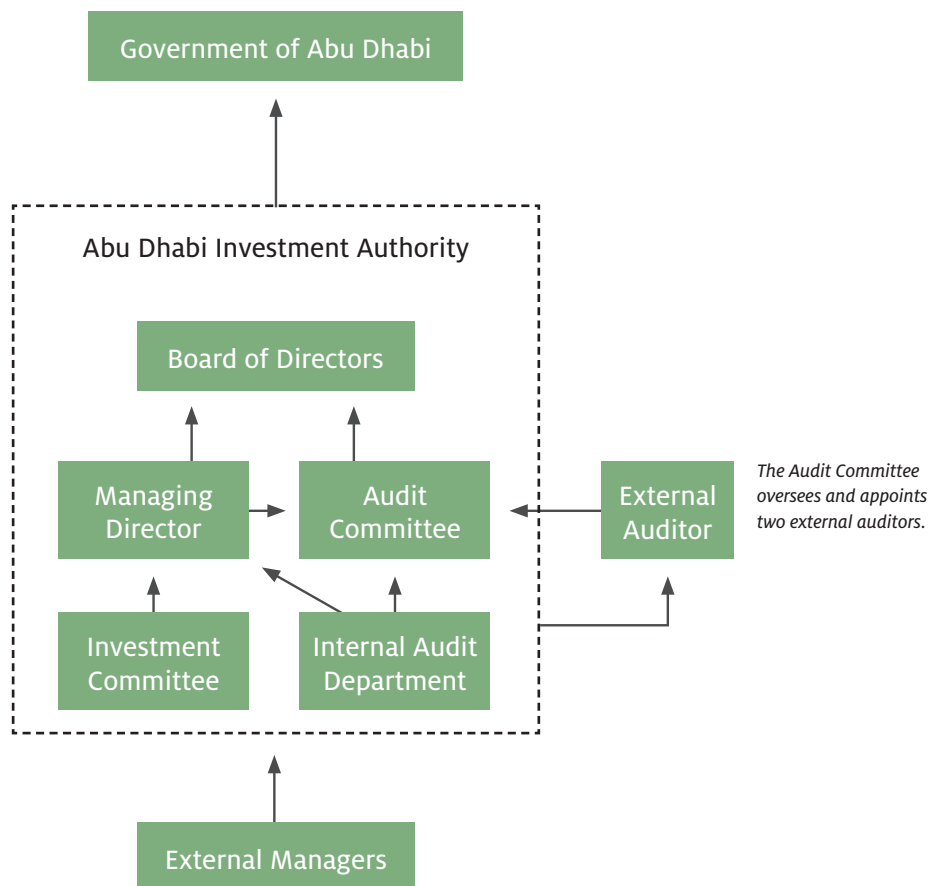
An internal audit department reports to the Managing Director and the Board of Director's Audit Committee.

The Managing Director is responsible for investment and operational decisions and reports to the Board of Directors, of which the Managing Director is also a member.

The Investment Committee advises the Managing Director on investment policy.

75% of the Abu Dhabi Investment Authority's assets are managed externally.

External accountability



Oversight and Safeguards

Fund activities are subject to multiple audits, but results are not released publicly.

Oversight Mechanisms

- A **periodic review process of investment methodology** to improve management of investments is done by the Abu Dhabi Investment Authority's Investment Committee and then approved by its Managing Director.
- Finances are subject to **regular and comprehensive internal audits**.
- Funds are managed **separately from** the country's **international reserves**.
- Fund finances are subject to a **regular and independent external audit** that meets international standards.

Common Oversight Mechanisms or Safeguards Not Present in Abu Dhabi

- Arbitrary withdrawals from the Funds are allowed; spending from petroleum revenues does **not need approval by parliament** in every case.
- **International oversight institution**, such as the World Bank or the International Monetary Fund, do not routinely monitor Fund management.
- **Oversight by citizens/civil society organizations** does not exist.
- Despite claims that the Abu Dhabi Investment Authority is independent of the government, the **significant presence of leading members of the ruling family on the Board of Directors** limits institutional independence.

Transparency Laws, Rules and Policies

There is public disclosure of the following:

When or how often Fund reports are published and made publicly available	yes	
Which individuals or organizations are responsible for publishing Fund reports		no
Size of the Fund(s)		no
Deposit and withdrawal amounts		no
Returns on investments	yes	
Detailed asset allocation – geographic location		no
Detailed asset allocation – asset class		no
Detailed asset allocation – specific assets		no
Natural resource prices and other fiscal assumptions used to calculate deposit and withdrawal amounts allowed under fiscal rules		no

Annex:
List of Applicable Laws

Law (5) of 1976 of the Emirate of Abu Dhabi

Law (5) of 1981 of the Emirate of Abu Dhabi

1. Abu Dhabi Investment Authority 2012 Review, Prudent Global Growth p. 60-61. Available at: http://www.adia.ae/En/pr/Annual_Review_Website_2012.pdf
2. <http://www.adia.ae/En/About/History.aspx>
3. http://www.adia.ae/En/Governance/Santiago_Principles_more.aspx
4. <http://www.adia.ae/En/About/Mission.aspx>
5. http://www.adia.ae/En/Governance/Santiago_Principles_more.aspx
6. Abu Dhabi Investment Authority 2012 Review, Prudent Global Growth p. 42. Available at: http://www.adia.ae/En/pr/Annual_Review_Website_2012.pdf
7. Bazoobandi, Sara (2012) *Political Economy of the Gulf Sovereign Wealth Funds: A Case Study of Iran, Kuwait, Saudi Arabia and the United Arab Emirates*. Routledge: New York.
8. Abu Dhabi Investment Authority 2012 Review, Prudent Global Growth p. 42. Available at: http://www.adia.ae/En/pr/Annual_Review_Website_2012.pdf
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10. http://www.adia.ae/En/People/Organisational_structural.aspx
11. Abu Dhabi Investment Authority 2011 Review, Prudent Global Growth p. 18. Available at: http://www.adia.ae/En/pr/Annual_Review_Website_2012.pdf
12. <http://www.adia.ae/En/Investment/Strategy.aspx>
13. Abu Dhabi Investment Authority 2011 Review, Prudent Global Growth p. 20-21. Available at: http://www.adia.ae/En/pr/Annual_Review_Website_2012.pdf
14. <http://www.adia.ae/En/Investment/Portfolio.aspx>