



## Santiago Principles Self-Assessment

### Mubadala Investment Company

Fund Details <sup>[1]</sup> Fund Website <sup>[2]</sup> Search Assessments <sup>[3]</sup>

#### 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:

Mubadala Investment Company (**Mubadala**) was created in 2017 following the merger of Mamoura Diversified Global Holding PJSC (**MDGH**) (formerly known as Mubadala Development Company) and International Petroleum Investment Company (the **Merger**). The Merger was pursuant to a Law issued by His Highness Sheikh Khalifa Bin Zayed Al Nahyan, President of the UAE and the Ruler of Abu Dhabi.

In 2018, the Abu Dhabi Investment Council (**ADIC**) became part of Mubadala.

Mubadala is wholly owned and subject to supervision by the Government of the Emirate of Abu Dhabi (the **Government**) and has an independent legal identity with full capacity to act in fulfilling its statutory mandate and objectives. Mubadala carries out its investment programme and activities independently and with autonomy.

Mubadala and its subsidiaries operate through four investment platforms of significant

scale:

- Petroleum & Petrochemicals;
- Alternative Investments & Infrastructure;
- Technology, Manufacturing & Mining; and
- Aerospace, Renewables & ICT.

ADIC continues to operate independently from the four investment platforms.

Mubadala's structure is publicly disclosed via the prospectus pertaining to MDGH's global medium-term note (**Mubadala's GMTN**) program, which is available on Mubadala's website [4].

### **Principle 2 Description:**

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

### **Principle 2 Implementation:**

Mubadala was formed by the Government as a business development and investment company to lead the Government's strategy. Following the Merger, Mubadala's mandate evolved and it now operates as a global investment business focused on sustainable risk-adjusted financial returns to realize the Government's strategic objective of a globally integrated and diversified economy.

In order to support Mubadala's strategy of growing and managing a resilient and diversified portfolio, Mubadala funds its capital and investment expenditures and its financial obligations through operating cash flow, borrowings from third parties (including by way of Mubadala's GMTN program, through project financing and using committed funding lines) and asset monetizations where appropriate. Mubadala may also from time to time receive Government funding for specified investments.

Further details on the above are publicly disclosed in Mubadala's GMTN program prospectus, which is available on Mubadala's website [4].

### **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:**

Mubadala is at the forefront of the Emirate of Abu Dhabi's efforts to drive economic growth across multiple sectors. Mubadala's role in the local economy is disclosed on its website and Mubadala operates in close coordination with the Ministry of Finance and other fiscal and monetary authorities to ensure consistency with overall macroeconomic policies.

The Chairman of the Board of Directors of Mubadala is also the Chairman of the Abu Dhabi Executive Council (Abu Dhabi's Cabinet). Mubadala's Group CEO and Managing Director is also a member of the Abu Dhabi Executive Council. This ensures consistency

and alignment of Mubadala's investment activities with the Emirate of Abu Dhabi's economic policies.

**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:**

The Government has historically provided financial support to Mubadala in the form of equity, additional shareholder contributions, principally in the form of subordinated interest-free loans which are treated as equity contributions, and monetary grants. The Government also historically made non-monetary contributions from time to time, including in the form of land grants.

As outlined in principle 2 above, Mubadala funds its capital and investment expenditures and its financial obligations through operating cash flow, borrowings from third parties (including by way of Mubadala's GMTN program, through project financing and using committed funding lines) and asset monetizations where appropriate. Mubadala may also from time to time receive Government funding for specified investments.

Mubadala has paid dividends to its shareholder and anticipates paying additional dividends in the future.

**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:**

The Financial Reporting team within Mubadala Group Finance ensures timely delivery of the annual audited consolidated financial statements to the Abu Dhabi Department of Finance. They also share data and information, as and when required, by the Statistics Centre Abu Dhabi. Further, the Financial Reporting team submits financial information and data around the level of debt across Mubadala to the Debt Management Office of the Department of Finance.

The Financial Planning and Business Performance team within Mubadala Group Finance ensures the delivery of accurate data and information across all asset classes and provides detailed investment performance reports to Mubadala's Board Executive Committee and other key stakeholders.

## 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:

Mubadala's Board of Directors (the **Board**) and an executive committee of the Board (the **Board Executive Committee**) have oversight over Mubadala's affairs. The Board is composed of a Chairman, a Vice-Chairman, a Managing Director, and other Board members who are appointed by a Decree of the Ruler of the Emirate of Abu Dhabi.

The Board has delegated various powers to the Board Executive Committee, led by the Vice-Chairman and comprised of other Board members. The Board Executive Committee is responsible for Mubadala's strategic direction, oversight and corporate governance, and reviews and approves Mubadala's business plans and strategic direction on behalf of the Government.

Mubadala's Managing Director, who is also the Group CEO, together with the Investment Committee, has responsibility for executing on Mubadala's strategy and affairs. This includes investments to achieve a sustainable and diversified economy in line with the Abu Dhabi Government's mandate.

Mubadala has a delegation of authority (**DOA**) that grants authorities to various management committees and personnel.

A number of key committees support the governance framework, including:

**The Audit Risk and Compliance Committee (ARCC)**, with oversight of financial reporting in accordance with International Financial Reporting Standards, systems of internal control, financial compliance, the appointment of external auditors and internal audit processes.

**The Investment Committee**, which approves or endorses, in line with the DOA, all major investment decisions made by Mubadala.

**The Management Committee**, which is responsible for reviewing, considering and approving certain corporate, organizational and operational matters.

Mubadala's corporate structure, as well as the composition of the Board of Directors and Investment Committee, are disclosed on Mubadala's website. The role and responsibilities of the key committees are documented in their respective committee charters.

### 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:**

As detailed above in Principle 1 and 2, Mubadala's purpose is to invest and re-invest funds to further the public interest of the Emirate of Abu Dhabi. Mubadala's strategy is to grow and manage a resilient and diversified portfolio with a mandate to create sustainable risk-adjusted financial returns.

The Managing Director and all Board members are appointed by a Decree of the Ruler of the Emirate of Abu Dhabi. In line with the authorities granted to the Board of Directors, the Board establishes the strategy of the Company and determines and appoints the senior management of the Company. There are no predetermined conditions or requirements related to the appointment of the senior management beyond being deemed to have the relevant skill set and experience to perform their respective roles.

Mubadala's Managing Director (who is also the Group CEO) heads the Investment Committee, comprised of 9 other senior Mubadala executives that head its platforms and corporate units.

**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:**

Mubadala is managed by its Board of Directors and Board Executive Committee, which have adequate authority and autonomy to safeguard Mubadala's assets and ensure it carries out its function in line with its mandates.

The Board of Directors is delegated wide authorities and discretion to manage the Company under the Articles of Association and the establishing law. The Board has approved the formation of various committees at a Board and management level and has ensured that adequate delegations are in place for the management of the affairs of Mubadala.

Mubadala's Managing Director (who is also the Group CEO) together with the Investment Committee (comprised of the Managing Director and 9 other senior Mubadala executives), have responsibility for the execution of Mubadala's strategy and administering its affairs, including all decisions related to investments within the guidelines set by the Board of Directors.

Investment decisions are based solely on economic objectives, to create sustainable risk-adjusted financial returns for the greater benefit of the Emirate of Abu Dhabi.

**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:**

This is detailed under Principle 1 above. Mubadala's management adheres to a structured and disciplined investment process that enables delivery of sustainable risk-adjusted financial returns for the benefit of the Emirate of Abu Dhabi.

**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:**

Mubadala has strong governance standards, with clearly defined roles and responsibilities that ensure accountability. Management of Mubadala is vested in Mubadala's Board Executive Committee, which is responsible for its affairs and the discharge of its business. The Board Executive Committee meets periodically to consider and review Mubadala's overall strategy.

Mubadala's Managing Director (who is also the Group CEO) together with the Investment Committee (comprised of 9 other senior Mubadala executives), have responsibility for the execution of Mubadala's strategy and administering its affairs, including all decisions related to investments within the guidelines set by the Board of Directors.

Mubadala's sector platforms are responsible for building and managing investment portfolios within the parameters set for them by the Investment Committee and through the asset allocation process. These platforms have discretion over the origination and recommendation of investment proposals which must be approved by the Investment Committee prior to execution.

The Management Committee is responsible for reviewing, considering and approving certain corporate, organizational and operational matters.

The ARCC provides oversight of financial reporting in accordance with International Financial Reporting Standards, systems of internal control, financial compliance, the appointment of external auditors and internal audit processes.

**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:**

Mubadala produces its consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed by the ARCC and approved by the Board Executive Committee in accordance with Mubadala's governance framework.

Mubadala's consolidated financial statements are submitted to the Abu Dhabi Department of Finance annually and are also reviewed by the Abu Dhabi Accountability Authority (ADAA). ADAA is the independent Government audit authority.

**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:**

Mubadala's consolidated financial statements are audited on an annual basis, in accordance with international standards of auditing (**ISAs**) by one of the Big4 audit firms, which are further examined, on an annual basis, by the Abu Dhabi Accountability Authority (**ADAA**).

Mubadala's independent external auditor is appointed every 4 years in accordance with the Statutory Auditor Appointment Rules (**SAAR**) of the ADAA.

In addition to the role of the external auditor relating to the financial statements, the Internal Audit Division (**IAD**) undertakes operational and other audits across Mubadala in line with a risk-based plan approved by the Audit, Risk & Compliance Committee (**ARCC**). Further information about the purpose, authority and responsibility of the IAD is provided against Principle 22.

As discussed in Principle 22, all work undertaken by the IAD is in accordance with the Institute of Internal Auditor's International Professional Practices Framework, the globally recognized standards for the internal audit profession.

**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:**

Mubadala has developed and implemented a comprehensive and multi-layered Ethics and Compliance program, with its cornerstone being the Code of Conduct.

Mubadala's employees are anticipated to operate under the highest ethical standards and with a clear focus on corporate values, one of which is integrity.

The policies complementing the Code of Conduct cover a wide range of potential risk areas and have been drafted with a consistent view on best practices regarding corporate ethics. The standards outlined are constantly communicated within Mubadala, and the tone at the top is indicative of Mubadala's ethical culture, with ongoing ethics and compliance initiatives across the organization.

Throughout the year the Ethics and Compliance Office delivers general and specialized

training on various topics, relevant to Mubadala's operations on a national and international level and there are numerous engagements with leaders and their teams to assess risk status, further develop, enhance and deploy the Ethics and Compliance program.

All Mubadala employees are required to attend, on an annual basis, a mandatory eLearning on the Code of Conduct and its application to the business.

Mubadala has received the International Organization for Standardization in Anti-bribery Management Systems (ISO 37001:2016) certification, yet one more element indicating its dedication to remaining at the forefront of setting the standard for ethical action.

**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:**

Mubadala's Business Partner Due Diligence policy and procedures are outlined in a content-specific policy. The approval of business partners for operational purposes is the result of a rigorous screening procedure with the use of advanced software solutions and relevant procurement processes.

As a global business, Mubadala's due diligence program aims to implement a holistic and risk-based approach through transparent and secure practices and with the constant monitoring from a dedicated and competent team.

Mubadala's Supplier Code defines the standards of acceptable conduct by third parties when performing work for or on behalf of Mubadala.

**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:**

Mubadala complies with the appropriate regulatory and disclosure requirements in the countries in which it operates. Mubadala's investment and sector teams collaborate closely with both the Legal and Governance unit and the Ethics and Compliance unit to manage legal, regulatory and compliance risks arising from Mubadala's investment activities.

From a compliance point of view, Mubadala's operations adhere to the national and international legal and regulatory frameworks applicable to the business.



The various requirements are monitored and assessed on an on-going basis, so that the organization constantly remains compliant in all aspects of its operations and activities, both at the entry point and throughout the investment period.

**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:**

Mubadala's website discloses its governance framework, investment objectives, operational independence, management and investment structure and broader corporate structure. This information is also publicly disclosed in Mubadala's GMTN program prospectus.

**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:**

All Mubadala's relevant financial information is disclosed in Mubadala's Annual Review, which is available on Mubadala's website. Such financial information includes:

- Total Assets under Management;
- Total Comprehensive Income;
- Total Divestments;
- Total Investments;
- Significant milestones; and
- Investments.

## **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:**

Mubadala's investment policy is to make sustainable, long-term financial returns.

Mubadala invests in a variety of assets, employing both active and passive strategies, with a preference for direct investments where Mubadala can actively work with the management of the asset to create value.

As outlined in Principle 2 above, Mubadala funds its capital and investment expenditures and its financial obligations through operating cash flow, borrowings from third parties and asset monetizations where appropriate. Mubadala invests in line with its mandate in compliance with applicable laws and the values of its shareholder.

Mubadala's portfolio of assets is reviewed on a regular basis by the Portfolio Strategy and Enterprise Risk Management divisions, who recommend capital allocation levels to the Investment Committee.

**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:**

Mubadala's investment decisions aim to maximize risk-adjusted returns whilst supporting the Government's strategic objective of a globally integrated and diversified economy. This is achieved by the Investment Committee reviewing prospective investments while taking into consideration guidance of the Portfolio Strategy, Valuations, and Mergers and Acquisitions teams. This process is designed to ensure Mubadala's portfolio will deliver the risk-adjusted returns expected by the shareholder.

Each of Mubadala's platforms actively asset manages its investments to ensure that they are performing in line with the Investment Committees expectations.

**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:**

Mubadala carries out its investment programme and activities independently and with autonomy.

Mubadala does not have, nor does it seek, access to privileged information or inappropriate influence through the Government to compete with private entities. Mubadala's compliance function seeks to prevent the misuse of any privileged information.

**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:**

Mubadala is a leading global investment company and endorses the need for a stable global financial system and free flow of capital and investments. As a shareholder, Mubadala exercises its ownership rights in its investments in certain circumstances, to protect Mubadala's interests or to oppose motions that may be detrimental to shareholders as a whole. Financial considerations guide the general approach to the exercise of Mubadala's ownership rights.

Mubadala understands and is committed to, fulfilling its responsibilities as a responsible global investor. As such, Mubadala seeks to apply best practices to all its disclosure processes and regularly makes disclosures, as required, in relation to its investments in local and global markets in accordance with applicable laws.

**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:**

As a global investor aiming to meet the highest standards of governance, Mubadala is

committed to understanding and managing risks in achieving its mandate and business objectives.

Mubadala's risk management framework is enterprise-wide and enables risks to be understood and managed effectively, through the application of the risk management process at various levels within Mubadala. It also ensures that risk information and insight provide a basis for decision making, reporting and accountability within Mubadala.

The Mubadala Board Executive Committee and ARCC have ultimate responsibility for Mubadala's risk management, with assistance and advice from several committees and departments, including Enterprise Risk Management, Portfolio Strategy, Treasury and Investor Relations, Ethics and Compliance, Legal and Governance, Tax and Internal Audit.

Risk management is embedded in Mubadala's investment and asset management related activities including portfolio capital allocation, individual investment decisions and ongoing asset management.

The responsibility for the implementation of risk management activities resides with Mubadala Business Platforms, Corporate Divisions and Assets (Mubadala's first line of defence).

The Enterprise Risk Management (**ERM**) unit is responsible for the continual development and coordination of the implementation of the ERM framework, providing specialist ERM guidance to Mubadala (Mubadala's second line of defence).

The IAD, led by the Executive Director – Internal Audit, forms Mubadala's third line of defence. The IAD delivers independent, objective assurance and consulting services designed to add value and improve Mubadala's operations. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The independence of the IAD is secured by the Executive Director – Internal Audit reporting functionally to the ARCC, and administratively to the Group CEO.

The purpose, authority and responsibility of the IAD is formally defined in the Internal Audit Charter and is consistent with the mandatory elements of the Institute of Internal Auditors (**IIA**) International Professional Practices Framework (**IPPF**), and the globally recognized professional framework for internal audit. The Internal Audit Charter is approved by the ARCC and is reviewed each year and updated as necessary.

The IAD's activities are governed by policies and procedures that are consistent with the IPPF. These include preparing a risk-based internal audit plan and associated budget for approval by the ARCC. The Executive Director – Internal Audit attends each meeting of the ARCC to present the results of ongoing internal audit work. The ARCC is provided with assurance over the quality of internal audit work through the activities of the IAD's Quality and Excellence function.

In line with the IPPF, the IAD is required to subject itself to external assessment at least once every five years to ensure its continued conformance to the IPPF. This assessment was last completed in 2019, when the IAD received a rating of 'generally conforms', the

highest rating available.

**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:**

The performance (cash and P&L) of Mubadala's assets are reported monthly, and investment performance (value creation, absolute returns and returns relative to benchmarks) are measured and reported quarterly.

Annually, Mubadala undertakes a five-year business plan exercise to understand the projected performance trajectory of its assets and portfolio (return expectations, cash balances and asset P&L). All processes are undertaken in accordance with clearly defined guidance, policies and standards. The principal stakeholders to whom this information is reported to the Valuation Committee, Platform and Sector Management, the Investment Committee and the ARCC.

Mubadala Group Finance manages these processes to ensure the delivery of timely and accurate data and information across all asset classes and provides performance reports to key stakeholders. Group Finance also provide independent analysis of assets and portfolio performance.

Additionally, information is provided to Portfolio Strategy and Enterprise Risk Management for the purposes of portfolio evaluation and stress testing portfolio returns and cash balances.

The Valuation Committee, supported by the Central Valuation Team within the Financial Planning and Business Performance division of Group Finance, determines the Fair Value of Portfolio Investments consistent with the guiding principles of the Valuation Policy and approves investment performance benchmarks to measure against Portfolio Investments.

Semi-annually, the Valuation Committee, in conjunction with Financial Governance, provides Portfolio Investment valuations to the ARCC for statutory financial reporting purposes.

Quarterly, the Valuation Committee provides the Investment Committee with a summary of the contribution and impact of Portfolio Investment valuations on Mubadala returns.

**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:**

Mubadala will review adherence to the IFSWF Generally Accepted Principles and Practices (GAPP) on a regular basis going forward.

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**Source URL (modified on 2020-12-08 10:48):** <https://www.ifswf.org/assessment/mubadala-investment-company-self-assessment-2019-0>

**Links**

[1] <https://www.ifswf.org/node/3281>

[2] <https://www.mubadala.com/>

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

[4] <https://www.mubadala.com/en/investors/gmtn-bond-programme>