



**For Immediate Release**

**NEW STUDY FINDS WIDE VARIANCE IN SOVEREIGN WEALTH FUNDS'  
COMPLIANCE WITH DISCLOSURE GUIDELINES**

*One Year Anniversary of “Santiago Principles” Marks Progress and Challenges Ahead*

*First-of-Kind Benchmark Study Indicates Size & Impact of Funds Inflated*

Press Conference Call on October 12, 2009 at 10:30 AM ET  
US (800) 230-1766; International (612) 332-0226

**NEW YORK, NY, October 12, 2009** - On the first anniversary of adoption of the “Santiago Principles,” a new report finds that some Sovereign Wealth Funds (SWFs) have made progress in becoming more transparent, but there is a wide dispersion in the level of opacity among the funds. The study finds that about half of the ten largest SWFs have achieved a relatively high level of disclosure, while other funds have yet to adopt meaningful initiatives to improve compliance with their self-imposed disclosure code of conduct. The report also indicates that although the aggregate size of the ten largest SWFs is approximately \$2.2 trillion, the actual impact of the investments on international equity markets is significantly smaller - at about \$1 trillion.

The study, “*An Analysis of Proxy Voting and Engagement Policies and Practices of the Sovereign Wealth Funds*,” was commissioned by the IRRC Institute and conducted by RiskMetrics Group. It is released to mark the one-year anniversary of adoption of the Santiago Principles by the SWFs. The funds adopted this voluntary code of conduct to help alleviate suspicion and criticism surrounding their activities, particularly cross-border investments into non-domestic companies. The study provides the first comprehensive, in-depth analysis of the engagement and proxy voting practices of the ten largest SWFs, a general analysis of transparency levels, and case studies.

“SWFs are not inherently ‘good’ or ‘bad.’ But, their massive size draws attention and enables the funds to move markets and affect economies,” said Jon Lukomnik, program director for the IRRC Institute. “Adoption of the Santiago Principles last October signaled a recognition by the funds that there was a need to demystify and reassure the global capital markets through increased disclosure and transparency. At this milestone, the report provides encouraging indications that some funds take disclosure and the principles seriously, but much work remains for other funds. Perhaps this report will spur action for funds that have failed to meet their self-imposed code of conduct,” he said.

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Lukomnik added, “We undertook this comprehensive, data-drive analysis to help shine a dispassionate light on SWFs and provide investors, regulators and other concerned parties with clear and accurate information on the funds and their potential impact on the global capital markets. We hope this report serves as the key instrument for benchmarking engagement among the SWFs, while also identifying emerging best practices among the funds in areas such as disclosure and responsible investment policies,” he said.

Matthew Kiernan, head of strategic planning for global sustainability solutions at RiskMetrics Group said, “Transparency and information disclosure are cornerstones of efficient capital markets. Information disclosure at several investor classes - SWFs, private equity, hedge funds, the new investor class called bailout funds - is frequently cited as insufficient by information users such as companies, co-investors and regulators. The SWFs are a rare example of proactive development of a voluntary code to improve disclosure. This new, innovative and comprehensive SWF research represents a positive step toward improving disclosure in the investment community.”

The key findings are as follows:

- The current total size of the SWFs and the percentage invested in international equity is less than the figures generally reported in the media. Consequently estimates of their potential impact on the international capital markets are exaggerated. The study estimates that the total international equity investments of the ten largest SWFs is less than half of the figures generally reported. In addition, several factors have contributed to a recent decrease in SWF capital overall, including the global financial crisis, and a drop in demand for certain exports from countries where the sale of those exports are the primary source of SWF wealth.
- The term SWF does not capture the wide variety of missions, organizational structures and investment styles of such funds. Some funds were originally launched as the privatization management arms of their respective governments, while others were founded by the central banks to invest part of their foreign reserve surpluses. Certain funds aim to maintain the country’s wealth for the next generations, while others serve as economic stabilization funds. Because of these variations, generalizations about the funds’ practices can be inaccurate and misleading.
- Few funds disclose engagement policy or performance data for individual investments in which they take large stakes and engage with the investee companies. Evidence was found supporting active engagement with companies by most of the SWFs. While the study did not find any examples of controversial engagements or voting practices, nor rash divestments, enhanced disclosure practices by SWFs with lesser levels of transparency in critical areas such as governance, investment policy & process, engagements and proxy voting would provide other investors and corporate managers with adequate information to evaluate the funds’ intents and actions.

One year after the introduction and adoption of the Santiago Principles, the public disclosure levels of a number of SWFs have not yet met the Principles’ standards. A few SWFs under study do not seem to have adopted meaningful initiatives to improve their compliance with the Santiago Principles following its introduction. Some other funds have shown some improvements since the introduction of the code. The report notes that some SWFs might not have yet had enough time to achieve their targeted compliance levels with the Principles.

- Few SWFs have shown strategic focus on environmental and social risk management and investments. Given SWFs are mostly long term investors; focus in this area can help them yield the associated long-term financial benefits. In addition for the SWFs sourced from petrochemical revenues, environmental consideration in investing (including clean energy funds) would appear to be relevant investments for diversification reasons.

In this report, a SWF was defined as a large pool of capital owned by a government for which the government has no liabilities (i.e., not pension funds which have actuarial liabilities). Capital sources of SWFs tend to be assets accumulated through commodity exports or foreign exchange reserves of export-based economies. The report categorizes SWFs based on mission, which often is a defining factor in their investments and engagement behavior.

Thirty-seven data points in six fundamental criteria were collected by analysts fluent in Chinese, Russian, Italian, French and English. Those six core areas were: investment strategy; governance; engagement practices; capabilities; environmental, social and governance practices; and disclosure. Each SWF was contacted several times and invited to participate. Drafts of the report were provided to each SWF. Feedback from several SWFs is included in the report.

The SWFs analyzed in the report are: Abu Dhabi Investment Authority (ADIA); Australian Government Future Fund (AGFF); China Investment Corporation (CIC); Government Pension Fund Global (GPF); Government of Singapore Investment Corporation (GIC); Kuwait Investment Authority (KIA); Libyan Investment Authority (LIA); Russian Reserve Fund and National Wealth Fund; Qatar Investment Authority (QIA); and Temasek Holdings (Temasek). A detailed profile for each fund is provided in the study.

The full report is available at [www.irrcinstitute.org](http://www.irrcinstitute.org) and [www.riskmetrics.com](http://www.riskmetrics.com). The report also is included in the Social Science Research Network Corporate Governance Network at <http://www.ssrn.com>. The CGN is sponsored by the Institute and makes available thousands of research reports on environmental, social and corporate governance research to anyone, anywhere, anytime. A digitized replay of the press conference call is available beginning on 10/12/09 at 12:30 PM ET through 11/12/09 at 11:59 PM ET by calling (USA) (800) 475-6701 (International) (320) 365-3844, Access Code: 118466.

#### **About The IRRC Institute**

The IRRC Institute is a not-for-profit organization headquartered in New York, N.Y whose mission is to provide thought leadership at the intersection of corporate responsibility and the informational needs of investors. More information is available at [www.irrcinstitute.org](http://www.irrcinstitute.org).

#### **IRRC Contact:**

Kelly Kenneally  
202.256.1445  
[kelly@irrcinstitute.org](mailto:kelly@irrcinstitute.org)

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**About RiskMetrics Group**

RiskMetrics Group is a leading provider of risk management and corporate governance products and services to participants in the global financial markets. By bringing transparency, expertise and access to the financial markets, RiskMetrics Group helps investors better understand and manage the risks associated with their financial holdings. Our solutions address a broad spectrum of risk across our clients' financial assets. Headquartered in New York with 20 global offices, RiskMetrics Group services some of the most prestigious institutions and corporations worldwide.

**RiskMetrics Group Contacts:**

Sarah Cohn  
+1.212.354.4643  
[sarah.cohn@riskmetrics.com](mailto:sarah.cohn@riskmetrics.com)

Sarah Ball  
+44.20.7063.5834  
[sarah.ball@riskmetrics.com](mailto:sarah.ball@riskmetrics.com)

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