



MEETING GO 36-20-24

STANDING COMMITTEE ON GOVERNMENT OPERATIONS

**THURSDAY, JANUARY 9, 2025
DET'ANCHOGH KÙÉ - EAGLE ROOM / ZOOM
9:00 AM**

AGENDA

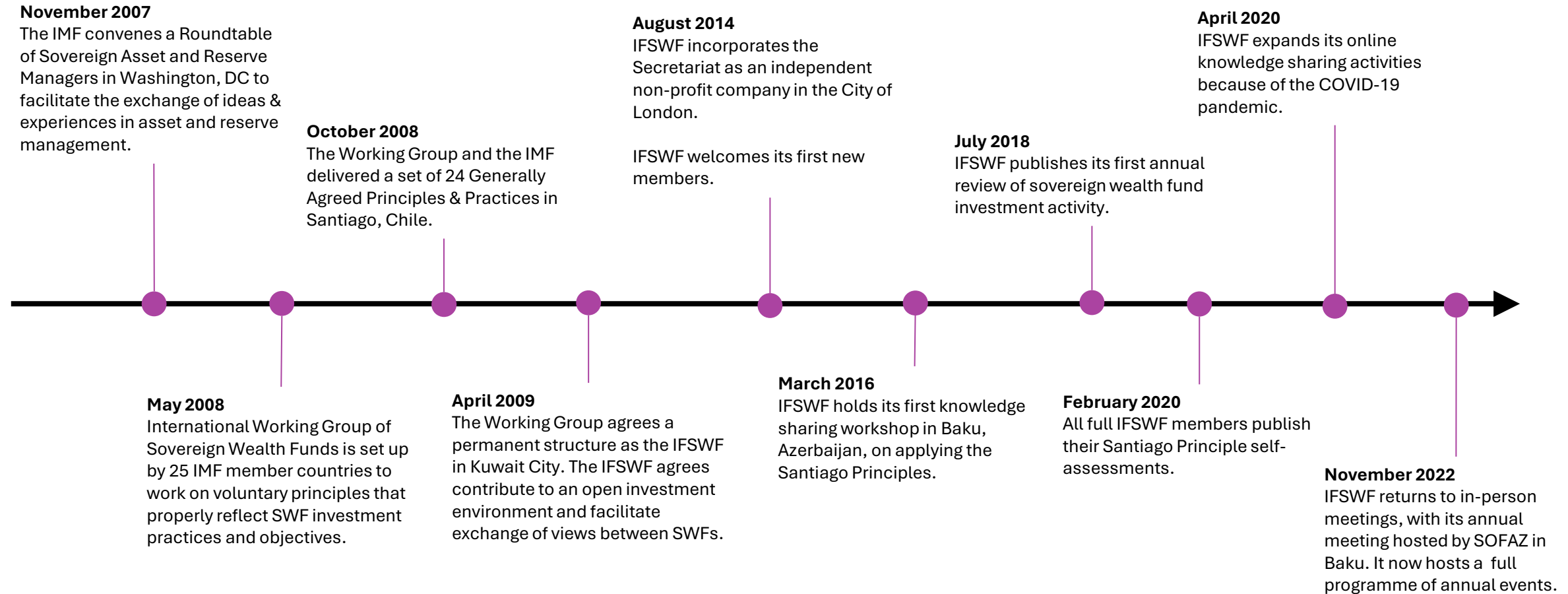
1. Call to Order
2. Prayer
3. Review and Adoption of Agenda
4. Declarations of Conflict of Interest
5. Public Matters:
 - a. Public Briefing on Sovereign Wealth Funds with Dr. Victoria Barbary, International Forum of Sovereign Wealth Funds
6. In-camera Matters:
Committee Business
 - a. Debrief
 - b. Correspondence:
 - i. 2024-12-12 Honourable Minister of Finance
 - c. Committee Workplan
7. New Business
8. Deferred Business
9. Date and Time of Next Meeting: Monday, January 20th at 5:50 PM
10. Adjournment

Sovereign Wealth Fund Governance and The Santiago Principles

Presentation to the Standing Committee on Government Operations, Northwest
Territories Legislative Assembly

January 2025

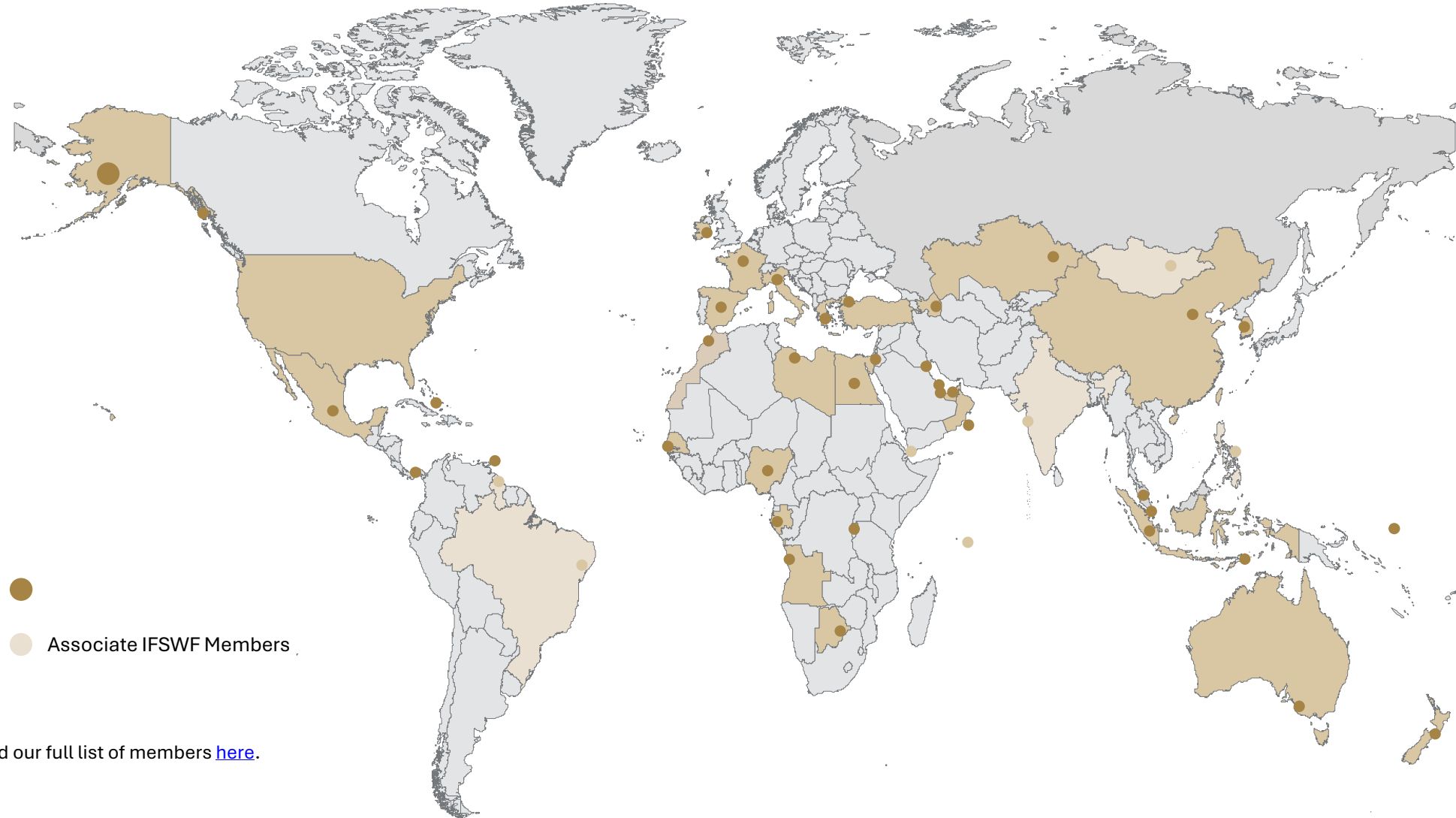
The only organisation created by and for sovereign wealth funds. We set governance standards, facilitate networking and represent the community



You can read more about our history in [The origin of Santiago Principles. Experiences from the past; guidance for the future](#)

The IFSWF has a global membership

We have 39 full members and seven associate members from every inhabited continent



You can find our full list of members [here](#).



- **Networking:** IFSWF provides platform for building relationships between individuals across business functions in member institutions.



- **Knowledge Exchange:** IFSWF provides a range of in-person and online opportunities to discover and compare best practices from their peers across a wide range of investment and operational issues.



- **International Recognition:** As a member of the IFSWF, voluntary application provides partners with assurance about governance structures and investment practices.

*“The IFSWF works on **collaboration**, **co-operation** and perhaps, in-time, **co-investment**. All activities that benefit each member, and the global financial community, if we get it right.”*

Adrian Orr, IFSWF Chair, September 2015

Sovereign Wealth Funds

What is a sovereign wealth fund?

Types of sovereign wealth fund



Savings

- Natural-resource revenue savings
- Foreign-exchange diversification
- Pension reserve



Stabilisation

- Exchange-rate stabilisation
- Smoothing government spending across the commodity cycle



Strategic

- Stewarding state-owned enterprises to create national & regional champions
- Enhancing local stock-market liquidity (IPOs, investing in local funds)
- Promoting economic development by investing in strategic sectors
- Attracting long-term foreign direct investment as a promoter or partner

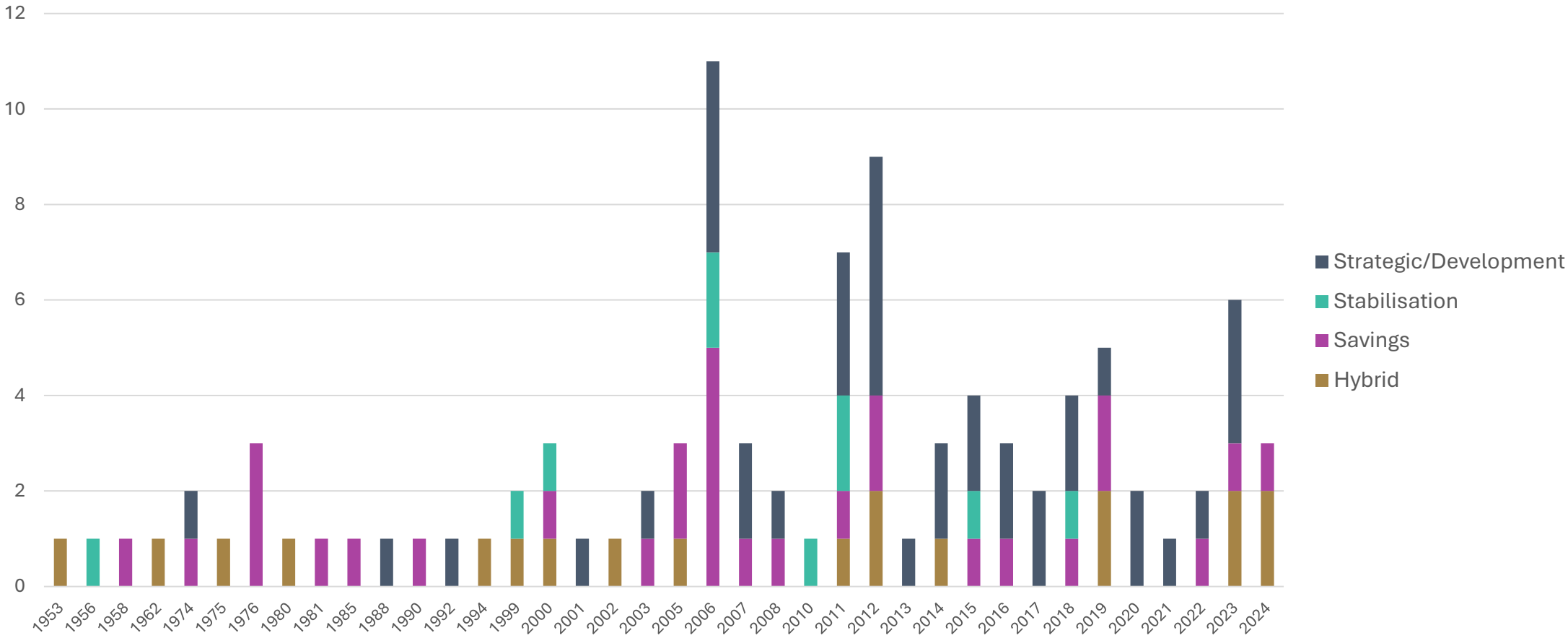


Hybrid

- Savings and stabilisation
- Savings and strategic
- Savings, stabilisation and strategic



The Evolution of Sovereign Wealth Funds





Current Key Themes for Sovereign Wealth Funds



The rise of the hybrid mandate

With many sovereign balance sheets being challenged, increasingly sovereign wealth funds are being asked to play a more active role in the domestic economy.



Greater demand for accountability and transparency

In a more interconnected world with a plethora of publicly available information, and decreasing trust in public institutions, stakeholders are increasingly demanding greater insight into the management of government assets.

The Santiago Principles

The Santiago Principles are the globally accepted code of conduct for sovereign wealth funds

In an uncertain world, the Santiago Principles provide a stable foundation to assure stakeholders that sovereign wealth funds are legitimate and professional investors

- **The Santiago Principles have a dual purpose:**

- To improve the understanding of sovereign wealth funds as professional, independent and financially oriented investors
- To encourage appropriate disclosure by sovereign wealth funds and create a more open dialogue about sovereign wealth fund activities

- **The Santiago Principles have three pillars:**

- Objectives and coordination with economic policy
- Institutional framework and governance structure
- Investment and risk management

- **Advantages of implementing the Santiago Principles:**

- Demonstrating to stakeholders and peers that the institution is legitimate, independent, financially motivated
- Providing assurance to partners of professionalism and alignment of interests
- They have been used to define a sovereign wealth fund in a range of international agreements, covering issues such as trade, international investment regulation, taxation treatment and financial-market transactions.

- **IFSWF members use Santiago Principles to:**

- Benchmark and their practices and structure
- Serve as a framework for peer learning
- Continuously improve investment and financial outcomes

- **Adherence to the Santiago Principles:**

- We take a principle-based approach to implementing the Santiago Principles as we understand that each sovereign wealth fund is established in unique circumstances
- Implementation is demonstrated through a self-assessment, which is performed on application for full membership and triennially thereafter

The Santiago Principles Distilled

Qualified, Independent Management

- The sovereign wealth fund's operational management should have the **expertise** and **authority** to implement its strategies independently
 - Investment decisions should be protected from undue and direct political interference and influence
 - The management should have the independence and capability to act in the best interest of the sovereign wealth fund

Clear Deposit & Withdrawal Rules

- The sovereign wealth fund's founding legislation must have **clear** and **precise** rules about deposits & withdrawals:
 - How often?
 - How much?
 - Circumstances?

Clear Objectives

- The sovereign fund's founding legislation must **clearly state its purpose**:
 - Intergenerational savings, stabilisation, economic development?
 - What are the return expectations?
 - Are there any additional, non-financial expectations or obligations?

Transparency

- Full disclosure to stakeholders – government, parliament and citizens
 - Stakeholders must understand the fund, its mandate and investment strategy to trust the management and hold it to account.
 - Full internal and external audit and monitoring
 - Clear and informative external reporting



Pillar 1: Sovereign Wealth Funds' Legal Basis

Most sovereign wealth funds are organised as one of four legal frameworks



- **Presidential, Ministerial or Sovereign decree**
 - State Oil Fund of Azerbaijan
 - Oman Investment Authority
 - Qatar Investment Authority



- **Act of a legislative body**
 - Future Fund (Australia)
 - Abu Dhabi Investment Authority
 - Nigeria Sovereign Investment Authority



- **Laws related to fiscal or budgetary matters or management of natural resources**
 - Budgetary Stabilisation Fund (Mexico)
 - Economic Social Stabilisation Fund & Pension Reserve Fund (Chile)

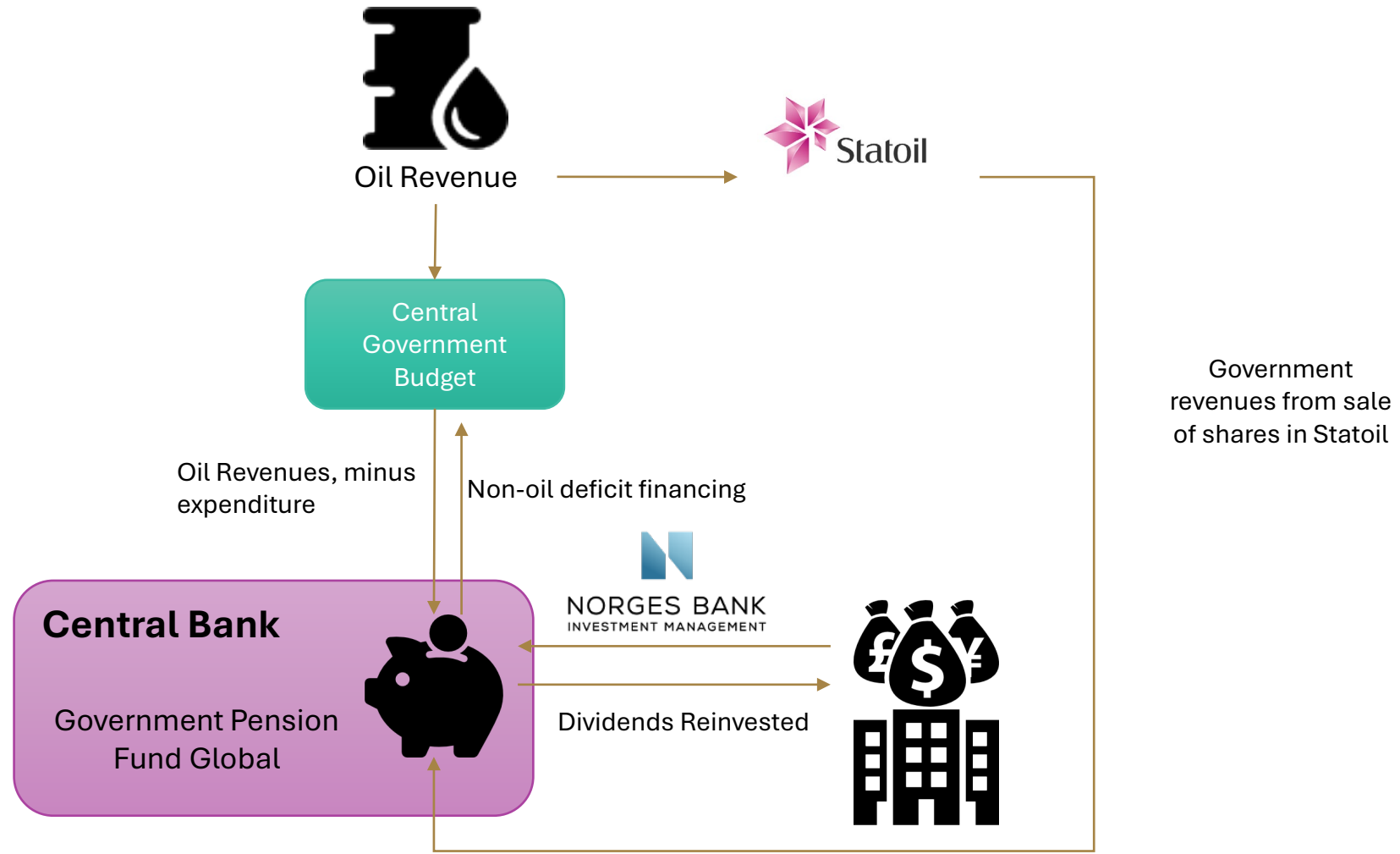


- **Institution established under local company law**
 - Samruk-Kazyna (Kazakhstan)
 - Temasek Holdings (Singapore)



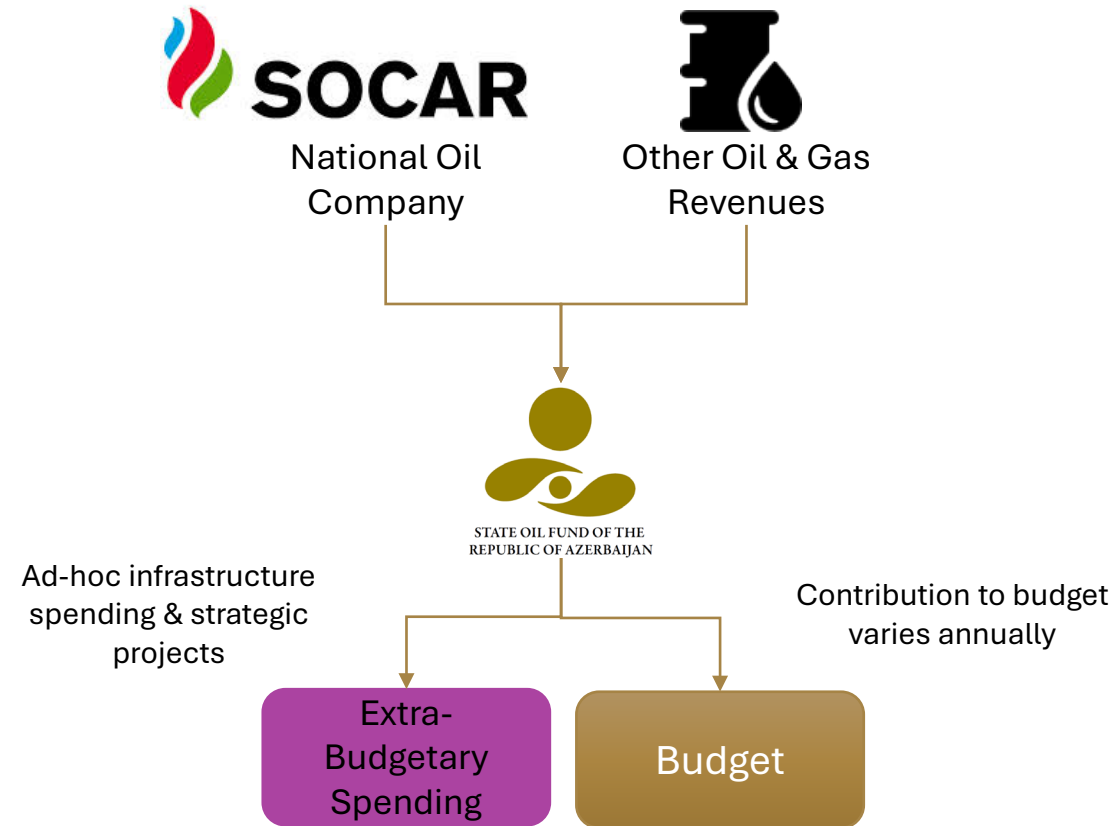
- **Line on a balance sheet without an independent legal personality**

Norway Government Pension Fund Global

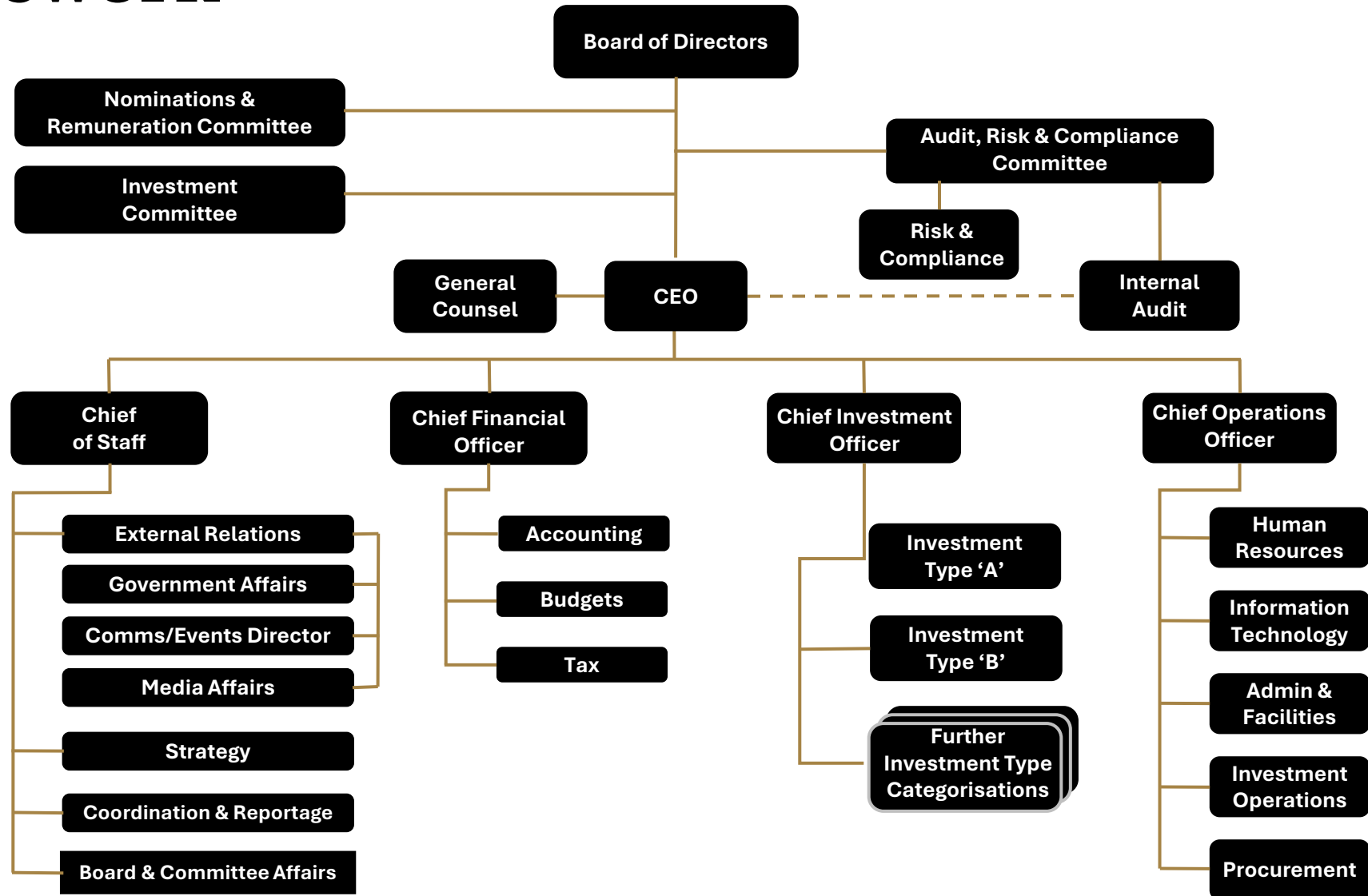


Source: Natural Resource Governance Institute, IFSWF

State Oil Fund of the Republic of Azerbaijan

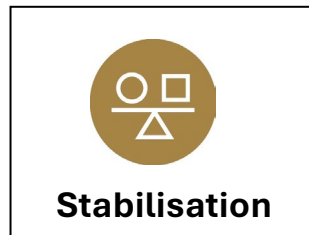


Pillar 3: Investment and Risk Management Framework

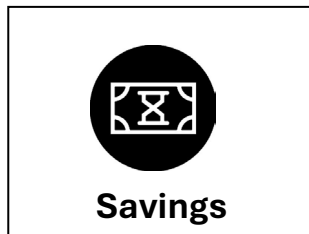




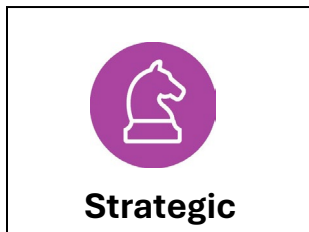
Different types of sovereign wealth funds require distinct governance frameworks and skillsets



- Priorities are safety, liquidity, return



- Long-term investment horizon
- Higher risk tolerance
- Invest to maximise risk-adjusted returns



- Invest in strategic companies and projects at home for financial return and economic growth



Public Disclosure and Reporting



Santiago Principles Reporting

We encourage good governance and ongoing commitment to the Santiago Principles



- IFSWF takes a principles-based approach to implementing the Santiago Principles. We understand that the circumstances of no two sovereign funds are the same.



- All IFSWF members must complete a self-assessment of their application of the Santiago Principles.
- We provide guidelines on how to complete the self-assessment.



- Self-assessments are published on the IFSWF website.



- Members to revisit their self-assessments on a triennial basis to show progress and enhance accountability.



Public Disclosure & Reporting

To engage with their stakeholders – the citizens of their countries – SWFs are embracing a range of reporting standards



Integrated report



Annual report



Economic Impact Report



Responsible Investment Report



Sustainable Investment Report

- Cover similar topics:
- Social Report
 - CSR Report



Public Disclosure & Reporting: Frameworks & Standards

The challenge is to provide **better** information not just more information.



Building stakeholder trust

Better reporting can help you position your organisation as a responsible and accountable institution in the eyes of stakeholders

Communicating who you are

As an institution with a special role in the economy and society, you should be able to communicate your value creation process and impacts

Managing risks and opportunities

Better reporting can help you to better manage risks and identify investment opportunities

Setting standards

You can demonstrate market leadership and set the benchmark for other organisations to follow