Sovereign wealth funds

QIA leads fund rankings for missing Santiago governance standards

Consultancy ranking investment groups against disclosure standards names QIA as the most opaque

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The world's most active sovereign wealth funds are also among the least transparent and least likely to comply with corporate governance norms, according to a review by consultancy GeoEconomica.

The Geneva-based political risk group ranked 31 funds against principles of good governance and financial disclosure standards that they all signed up to in Santiago in 2008, and found that many of the most active groups fell short.

GeoEconomica's conclusion underscores the opaque nature of some funds, which have the deepest pockets, even as they pervade the corporate world by expanding abroad and ramping up their direct investments in companies and infrastructure projects.

Sovereign wealth funds are state-backed entities that typically invest their country's reserves or revenues from natural resources such as oil and gas. The index represents a combined $4tn in assets.

Qatar Investment Authority, which manages an estimated $304bn of holdings including stakes in Hong Kong department store chain Lifestyle International, Harrods and Barclays, ranked last in GeoEconomica's Santiago index. It declined to comment.

China Investment Corporation, the world's second-largest sovereign wealth fund with $650bn of assets including stakes in Blackstone, Morgan Stanley, London's Canary Wharf and Heathrow airport, was rated "partly compliant" – in the C grade category. CIC declined to comment and has a general policy of not commenting to international media.

Singapore's GIC, which manages an estimated $315bn of holdings including shares in luxury shoe designer Jimmy Choo, US-listed technology company IMS Health and British roadside recovery company RAC, was also given a C. "It is worth noting that GIC is welcomed in all our investee countries," GIC said.

Sven Behrendt, managing director at GeoEconomica, said: "The fact that some of the most active of those investors make so little case of transparency should be a big concern . . . They are transforming the investment scene by taking direct stakes but they reveal little information about themselves." The highest ranked institutions are East Timor's and Chile's funds, of relatively small sizes, according to the index. Government Pension Fund of Norway, the world's largest state fund with $841bn of holdings, Australia's Future Fund – with $92bn in assets – and New Zealand Superannuation Fund were rated as fully compliant and given an A minus.

"Many of the sovereign wealth funds thought that by simply signing the principles, the international community would believe they would implement them," Mr Behrendt said. "This implementation needs to be disclosed so that it can be verified by third parties."

Some of the oldest sovereign wealth funds in Asia and the Middle East, such as Abu Dhabi Investment Authority, Kuwait Investment Authority and GIC, are rated "partly compliant", showing that "maturity does not necessarily mean more transparency," Mr Behrendt said. Russian Direct Investment Fund, the $10bn state-backed fund set up by then President Dmitry Medvedev three years ago, sits in the same category.

A spokesman for ADIA said: "The Santiago Principles have provided a consistent framework for governing the practices of a highly diverse group of investors, and this has been positively received by recipient countries . . . A byproduct of this initiative has been increased transparency, and ADIA has for the past five years devoted a page on its website to those Principles requiring public disclosure, in addition to publishing a comprehensive Annual Review of our activities."

KIA did not provide a comment.

Additional reporting by Jamil Anderlini in Beijing