

Sovereign Wealth and Pension Funds & Investment Screening

by Simon Sharghi-Erdmosa



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CELIS Non-Paper 05/2025

CFIS 24 Panel 7

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A. Introduction

During CFIS Investment Screening and Economic Security 2024 (CFIS 24), the panel discussion titled *“Sovereign Wealth and Pension Funds & Investment Screening”* gathered experts to explore the evolving roles of sovereign wealth funds (SWFs) and pension funds (PFs) within the global investment landscape. This non-paper synthesizes key insights from the discussion, highlighting the geopolitical challenges, regulatory shifts, and strategic considerations influencing these funds.

The confidential nature of the discussion, held under Chatham House Rules, allowed for candid exchanges among industry experts, policymakers, and institutional investors. These insights offer a nuanced understanding of the trends shaping sovereign and pension fund investments.



With assets under management exceeding \$11 trillion, SWFs and PFs play a pivotal role in global economic stability and market resilience. In recent years, they have evolved from traditional investment strategies to more sophisticated approaches, including direct investments, strategic partnerships, and sustainability-focused portfolios. Their growing influence positions them as key actors in shaping market trends, regulatory policies, and investment practices amid geopolitical tensions, evolving regulations, and rising sustainability expectations.

B. Key Takeaways from the Panel

I. Geopolitical Considerations in Investment Strategies

Geopolitical risks are now a central factor in investment decision-making. The discussion revealed that SWFs and PFs are increasingly reassessing their strategies due to rising economic nationalism, national security concerns, and shifts in foreign policy.

- Traditional investment sectors, such as technology and critical infrastructure, are under greater scrutiny.
- There is a growing preference for domestic and allied-market investments over higher-risk regions.
- Geopolitical events are shaping regulatory responses, compelling funds to align investments with national security policies.

II. A Multidimensional Investment Perspective

The panel introduced the concept of a multidimensional investment approach, emphasizing the interconnected nature of cross-border investments.

- Investing in sensitive sectors in one jurisdiction can impact investment opportunities in others, particularly in markets with national security concerns.
- A holistic strategy is required—considering not only financial returns but also geopolitical and regulatory risks.
- Funds are integrating geopolitical risk analysis into investment strategies to anticipate regulatory shifts, potential restrictions, and diplomatic risks.



III. Impact of Regulatory Changes

The evolving regulatory landscape presents both challenges and opportunities for SWFs and PFs.

- New legislation in major economies, such as the United States and the European Union, seeks to restrict investments in sensitive or adversarial regions.
- Diverging national security regulations create compliance complexities for global investors.
- A risk of fragmentation in global investment markets could emerge, as funds navigate differing regulatory expectations.

IV. Sustainability and Transition Investments

Sustainable investing remains a dominant theme in asset management.

- While divestment from fossil fuels is gaining momentum, the panel emphasized transition investing—supporting companies with credible decarbonization pathways.
- Environmental, Social, and Governance (ESG) criteria are now fundamental to investment strategies, influencing portfolio decisions.
- The balance between sustainability goals and economic realities is crucial for long-term investment success.

V. Transparency and Governance Standards

The panel stressed that strong governance and transparency enhance the legitimacy of SWFs and PFs.

- Adhering to internationally recognized governance frameworks (e.g., Santiago Principles promoted by the International Forum of Sovereign Wealth Funds (IFSFW)) is key to fostering trust.
- Strengthening disclosure practices, stakeholder engagement, and accountability measures can improve global acceptance and reduce political scrutiny.



VI. Challenges of Regulatory Harmonization

One of the biggest hurdles for global investors is the lack of regulatory alignment across jurisdictions.

- Divergent investment screening mechanisms and national security laws complicate compliance and capital allocation.
- Regulatory fragmentation forces funds to navigate overlapping and sometimes conflicting legal frameworks.
- The audience suggested that voluntary coordination on investment standards could facilitate smoother cross-border transactions.

VII. The Long-Term Investment Perspective

Despite short-term geopolitical risks, SWFs and PFs are best positioned to leverage their long-term investment horizons.

- A patient capital approach enables funds to withstand volatility and support economic growth.
- Investments in infrastructure, innovation, and sustainable industries align with their mandates to generate stable returns for future beneficiaries.
- Funds should continue to focus on value creation over extended timeframes to navigate politically sensitive regions effectively.

C. Conclusion

The discussion highlighted the complex and evolving landscape for sovereign wealth and pension funds. As these funds navigate geopolitical tensions, regulatory shifts, and sustainability imperatives, they must adapt their strategies accordingly.

Key takeaways include:

- Emphasizing transparency and governance to maintain credibility.
- Integrating geopolitical risk assessment into investment strategies.
- Navigating regulatory divergence with adaptive compliance strategies.



- Adopting transition investing as a balanced sustainability approach.
- Maintaining a long-term perspective to ensure financial resilience.

This non-paper serves as a foundation for continued dialogue among stakeholders—investors, policymakers, and academic researchers—interested in the evolving role of SWFs and PFs. Their decisions will not only shape the future of finance but will also have profound implications for economic stability, global cooperation, and sustainable development.

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Panel members were Chua Eu Jin (Managing Director, Institutional Relations, Temasek International, Singapore), Ulf Sverdrup (Professor at the Department of Law and Governance, Norwegian School of Business, Oslo), and Grégoire Chauvière Le Drian (Head of Group Office in France, European Investment Bank (EIB), Paris). The Panel was chaired by Charlotte Hafstad (Associate Lawyer at Ræder Bing; Former Member of the Norges Bank Investment Management's Council on Ethics, Oslo). Panel Sherpa was Simon Sharghi-Erdmosa (CELIS Institute).

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