



HIGH MEADOWS  
INSTITUTE

# Sustainability in Capital Markets

**Financing the transition to a sustainable  
low-carbon economy**

*Sovereign Wealth Funds Sector Profile*





# Introduction

This sector snapshot is part of the High Meadows Institute report, Sustainability in Capital Markets. It is designed to provide a high-level overview of how key sectors in the financial system are supporting the transition to a sustainable low-carbon economy (SLCE). The sector evaluation is based on a literature review of studies on each sector's role in the SLCE transition, as well as a more detailed analysis of how 10 of the largest institutions in the sector are supporting the transition. Further details on the purpose of the report, the sectors being assessed, and the methodology for the assessment can be found in the Methodology publication [here](#).

**Sample size:** Government Pension Fund Global (Norway), China Investment Corporation (China), SAFE Investment Company (China), Abu Dhabi Investment Authority (UAE), Kuwait Investment Authority (Kuwait), Public Investment Fund (Saudi Arabia), GIC Private Limited (Singapore), Badan Pengelola Investasi Daya Anagata Nusantara (Indonesia), Qatar Investment Authority (Qatar), Exchange Fund (Hong Kong)

**Total AUM of sample size:** \$9.6 trillion in AUM (70% of total sector assets).<sup>i</sup>

Sovereign wealth funds (SWFs) have expanded significantly over the past two decades, with total assets under management (AUM) reaching approximately \$13.4 trillion in 2025, up from \$6.4 trillion in 2014 and \$1.6 trillion in 2004.<sup>ii</sup> Many of the 176 SWFs operating globally (as of 2023) are managed by non-Western countries, positioning them as influential players in global financial markets, particularly private equity.<sup>iii</sup>

As long-term investors with diversified portfolios, SWFs have the potential to play a crucial role in financing the transition to a sustainable low-carbon economy (SLCE). Their intergenerational investment mandates enable them to assess long-term risks associated with climate change, and their vast portfolios—often spanning thousands of companies—grant them significant influence in the real economy. For instance, the world's largest SWF, Norway's Government Pension Fund Global, holds an average of 1.5 percent of all publicly listed companies worldwide.<sup>iv</sup> As universal owners with large stakes in companies across various sectors and markets, SWFs are uniquely positioned to drive the transition through active ownership and stewardship.

However, despite this potential, SWFs have been slow to integrate sustainability considerations into their investment strategies compared to other institutional investors. Research by the Center for the Governance

of Change found that SWFs' sustainable investments, including renewable energy, recycling, and sustainable agriculture, totaled only \$9.3 billion in 2022, a decline from a peak of \$9.6 billion in 2018.<sup>v</sup> Their lagging approach to sustainable finance remains a critical gap, given their ability to shape markets and influence corporate behavior at scale.

## SLCE Analysis

Our analysis of the 10 largest sovereign wealth funds shows the following trends:

- 8 out of 10 funds have made explicit reference to climate-related or sustainable investing, while only 4 out of 10 funds publish specific information about their investments and invest a relatively small percentage of their assets in ESG or climate-aligned investments.
- 1 out of 10 funds are signatories of the Principles for Responsible Investment (PRI).
- 3 out of 10 funds publish standalone sustainability reports, with another 3 including a sustainability or climate-related section in their standard annual report.



## Opportunities

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### **Despite these challenges, SWFs have started to take steps toward improving their climate performance.**

In 2017, six SWFs—including five from our sample—launched the One Planet Sovereign Wealth Fund to accelerate the integration of climate risks and opportunities into their investment strategies. The coalition, which has since grown to 18 members, developed the One Planet Sovereign Wealth Fund Framework,<sup>vi</sup> a voluntary, non-binding set of principles designed to enhance alignment, ownership, and integration of climate considerations within SWF portfolios. The framework promotes increased disclosure aligned with the Task Force on Climate-related Financial Disclosures (TCFD) standards, pushes for reducing portfolio exposure to climate-related risks, and supports increasing investments in green assets and renewable energy.

Leading funds such as Norway's Government Pension Fund Global have set a precedent for sustainability leadership among SWFs. Norway's fund has implemented negative screening criteria, systematically excluding or divesting from companies that fail to meet its strict ESG and climate standards. It is also one of the few SWFs to set a net-zero target for its portfolio companies by 2050, with 68% of its financed emissions already covered by net-zero commitments.<sup>vii</sup> This growing emphasis on sustainability is not limited to traditionally ESG-focused funds. According to one study, commodity-based SWFs have invested more in energy and climate than their non-commodity-based counterparts, indicating a rising interest in diversifying portfolios into clean and renewable energy as climate concerns mount.<sup>viii</sup>



## Pain Points

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**A few obstacles remain in the way of SWFs increasing their commitments to sustainable investing, including their fiduciary duty.** Many SWFs operate under strict guidelines, with government mandates requiring them to maximize returns for the benefit of their citizens and national economies, which often leads to prioritizing financial returns over environmental or social considerations. If there is a real or perceived trade-off between returns and climate considerations, the SWF's board and management will likely prioritize their fiduciary duty. This challenge is particularly true of developing markets, where the need for climate finance is highest, but returns on such investments are often concessionary. This fiduciary role is further enshrined in the Santiago Principles, a set of non-binding guidelines for SWFs drafted in 2008 to promote transparency, good governance, accountability, and prudent investment practices.<sup>ix</sup> While the Santiago Principles provide globally accepted investment and risk management standards for SWFs, which the 50 members of the International Forum of Sovereign Wealth Funds (IFSWF) have pledged to support, they do not address any social, climate, or nature-related issues.

Political pressures further complicate SWFs' ability to integrate sustainability into their portfolios. As government-controlled funds with global investments, many SWFs have worked to build a reputation as purely financial institutions without political agendas.



Since climate-related investment strategies can be perceived as public policy goals, any shift from conventional to sustainable investment can raise concerns about political overreach. As a result, SWFs tend to adhere strictly to their fiduciary duty and avoid deals—such as sustainable investments—that might make them appear politically motivated. This challenge was evident in a recent election in Norway, where a debate was ignited over concerns about the political use of the fund in the pursuit of global challenges such as climate change.<sup>x</sup>



In February 2025, President Donald Trump signed an executive order to establish a United States sovereign wealth fund to maximize national wealth, promote fiscal sustainability, and strengthen U.S. economic leadership. The fund, estimated to be backed by \$5.7 trillion in federal assets,<sup>xi</sup> has sparked debate over its feasibility and intent. Critics argue that, unlike other nations that fund SWFs through budget surpluses, the U.S. operates under a \$1.8 trillion federal deficit, raising concerns over how the fund will be financed.

Additionally, Trump's suggestion that the SWF could be used to acquire private companies like TikTok has intensified fears of government overreach into the private sector.<sup>xii</sup>

At the same time, political and economic incentives often discourage SWFs from fully embracing the low-carbon transition. Many of the largest SWFs derive their capital from commodity wealth, particularly oil and gas revenues, making it difficult to divest from the industries that sustain them and further slowing their adoption of sustainability-focused investment strategies. The Anti-Corruption Data Collective has also warned that sovereign wealth funds are highly susceptible to corruption, embezzlement, and political exploitation due to a lack of transparency and accountability.<sup>xiii</sup>

Another significant barrier to progress for SWFs is the lack of transparency and availability of reliable data. Most SWFs publicly provide limited information on their transactions and internal investment processes, especially climate-related ones. While Azerbaijan, Norway, and the UAE are exceptions, asset owners in fossil fuel-producing nations, including many SWFs, consistently rank among the lowest for climate risk disclosure.<sup>xiv</sup> The extent to which SWFs integrate ESG considerations is heavily influenced by national norms, with sustainability adoption varying widely across regions. Some of the largest SWFs are based in Asia and the Middle East, where ESG frameworks are still in the early stages of development. Climate-related disclosure and reporting remain primarily voluntary and, therefore, scarce, as few national authorities have incorporated such disclosures into national regulatory frameworks.

This lack of transparency is reflected in broader industry trends. A 2023 survey from the IFSWF found that only half of the SWFs require their asset managers to provide specific climate change or ESG metrics for their assets, and just 16.7 percent request reporting based on TCFD guidelines.<sup>xv</sup>

## Conclusion

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While SWFs hold immense potential to influence the global transition to a sustainable low-carbon economy, their current practices reflect a mixed commitment. Despite their substantial financial resources and long-term investment horizons, SWFs have embraced sustainability relatively slowly in their investment strategies. Their challenges, including rigid mandates, political pressures, and limited transparency, hinder their ability to integrate climate considerations into their practices fully. Addressing these

issues will bolster their role in supporting the transition to a low-carbon economy and set a precedent for other institutional investors to follow, ultimately contributing to a more sustainable and resilient global financial system. In this regard, the strong commitment to sustainability by the sector's largest fund, Norway's Government Pension Fund Global, and growing participation in the One Planet SWF network are important indicators of SWFs' role in supporting the SLCE transition.

# Endnotes

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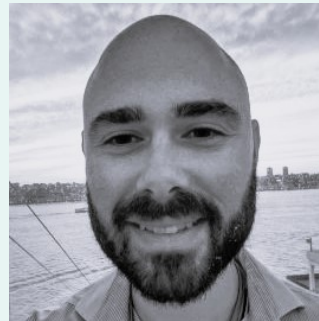
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**17 Communications** is a mission-driven marketing and communications consultancy specializing in the ESG, impact investing and sustainable finance sectors. We are committed to catalyzing the flow of capital towards sustainability and impact-oriented investments and solutions through a combination of communications, advocacy, research and education.



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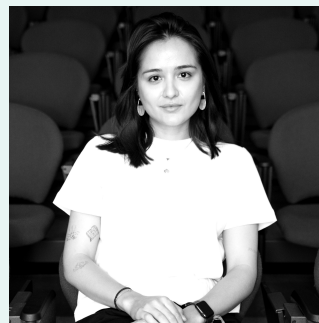
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## Sustainability in Capital Markets:

### Financing the transition to a sustainable low-carbon economy

*Sovereign Wealth Funds Sector Profile*

Developed in partnership with:

**17Communications**

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