STATE OIL FUND OF THE
REPUBLIC OF AZERBAIJAN

Compliance in Context: Governance Structures and Risk Priorities in Sovereign Wealth Funds

September 2025

IFSWF
International Forum of Sovereign Wealth Funds

About the Survey

The IFSWF-SOFAZ Compliance Benchmarking Survey was initiated to gather insights on current compliance practices, challenges, and strategies employed by sovereign wealth funds in managing compliance risks.

For this project, we distributed a survey to 43 sovereign wealth funds, IFSWF members. We received 21 completed surveys from respondents. This represents approximately a 50% response rate, providing us with insights into global compliance practices across sovereign wealth funds of varying sizes, geographies and governance structures.

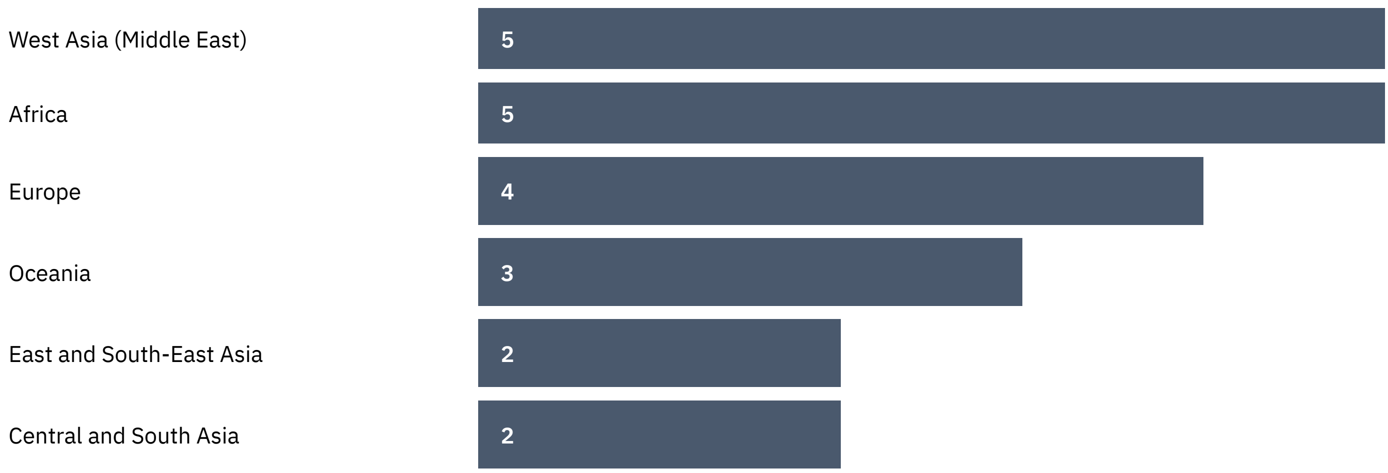
While the survey was anonymous—we do not know which institutions completed it—the distribution list included all the world's largest sovereign wealth funds with total assets under management of approximately $8 trillion, over 80% of the total, according to IFSWF's database.

The survey comprised 25 questions and centered around two key themes:
- Governance and the Role of Compliance
- Common Challenges and Emerging Trends.

Participants included senior compliance officers, risk managers, legal counsels, and C-suite executives, ensuring perspectives from different organizational levels and functions.

As the chart below indicates, the survey captured a broad geographic spread of sovereign wealth funds, with only the Americas missing from the sample.

Figure 1. Respondent breakdown (By region)



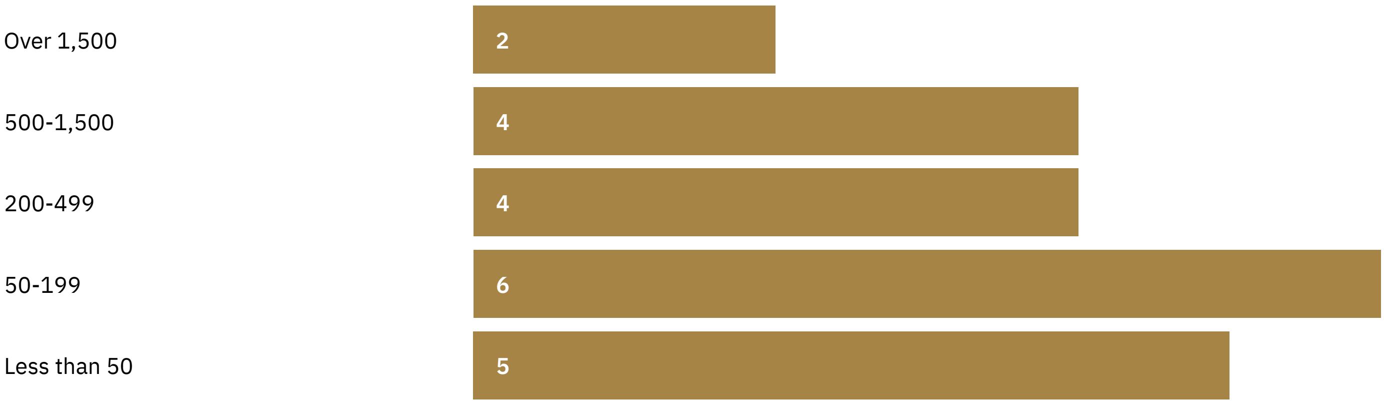
Source: IFSWF-SOFAZ Compliance Benchmarking Survey 2025

The survey reflects a well-balanced representation of sovereign wealth funds across various asset sizes, with one respondent opting not to disclose their fund size.

Figure 2: Respondent breakdown (By AUM)

Source: IFSWF-SOFAZ Compliance Benchmarking Survey 2025

Figure 3: Respondent breakdown (By employee count)



Source: IFSWF-SOFAZ Compliance Benchmarking Survey 2025

More than half of the respondents (11) identified their job function as compliance. Six respondents represented various teams, including PR, Investment, and Corporate. This group also included senior executives—such as the Head of Reserves Management, CIO, CEO,and Chairman—highlighting the strategic significance of compliance.

Figure 4: Respondent breakdown (By job function)

Source: IFSWF-SOFAZ Compliance Benchmarking Survey 2025

This report presents the findings from the first survey on the compliance programs of sovereign wealth funds, launched in January 2025.

Offering a comprehensive overview of current compliance structures, roles, emerging trends, and challenges, this report provides valuable benchmarking data for member organizations and highlights key opportunities for enhancement.

Through this report, we aim to assist sovereign wealth funds in identifying the strengths and weaknesses of their own compliance programs relative to their peers, as well as in developing effective response strategies to address evolving compliance challenges.

This survey's findings can be used by:

- Newly formed sovereign wealth funds or those undergoing a comprehensive review of their compliance frameworks, enabling them to benchmark compliance governance and clarify the role of compliance within their organizational structure.
- Compliance leaders who are seeking to articulate a strategic vision for the compliance function, including the formulation of an implementation roadmap, thereby reinforcing compliance as a critical driver in achieving the organization's overarching objectives.
- Senior management and Boards of Directors, in their strategic oversight capacity, to identify emerging compliance risk areas, guide the development of effective solutions to common challenges, and endorse robust measures that strengthen organizational resilience and ensure sustained regulatory adherence.

Key insights

62%

of funds comprise of two to five members.

- **The structural positioning of compliance functions varies considerably**, including their integration within Risk Management or Legal Departments, distribution across multiple units, or operation as a separate function. This diversity reflects the adaptive nature of compliance frameworks across sovereign wealth funds, shaped by differences in risk profile, regulatory landscape, and governance structure. It also highlights the need for strong cross-functional coordination to ensure consistency and effectiveness—particularly in decentralized compliance models.

- Most funds (62%) maintain relatively streamlined compliance teams, typically comprising between two to five members. Interpreted in conjunction with other findings of the report, this trend may reflect the emerging issue of **resource constraints** (cited by 29% of respondents) or the effective integration of compliance risk management into first-line functions.

- Despite lean staffing and the expanding scope of day-to-day compliance responsibilities, only 24% of sovereign wealth funds outsource operational compliance activities—primarily for regulatory reviews and third-party risk management—reflecting a **strong preference to retain compliance in-house** due to strategic, security, knowledge, or cost considerations.

- **Internal compliance functions' efforts are focused on proactive risk management**, with 81% of funds emphasizing monitoring of compliance, 67% prioritizing policy management, and 48% concentrating on risk identification and assessment. These priorities align closely with the focus areas of the regulatory compliance function, such as identifying regulatory changes, ongoing monitoring of regulatory compliance, and policy design. Breach management, cited by only 19% of respondents, remains a lower priority, indicating a shift from a reactive to a preventive approach. Meanwhile, 33-38% of sovereign wealth funds now recognize the importance of compliance in advisory and partnering roles, highlighting its evolving position as a strategic enabler within the organization.

- Conflict of Interest and Code of Ethics policies are almost universally implemented within compliance policy management, followed closely by Anti-Corruption (86%), Gifts and Hospitality (81%), and Travel and Expenditure policies (76%)—reflecting a **strong emphasis by respondents on promoting ethical conduct** and addressing potential conflicts of interest in decision-making. Similarly, three-quarters of surveyed institutions have adopted Third-Party Due Diligence policies, demonstrating an expectation for high ethical standards not only internally, but also across external partnerships.

- Sovereign wealth funds are increasingly **embedding compliance risk management into first-line functions** by delegating certain activities—such as third-party due diligence, controls design and implementation, identification of compliance requirements, and breach reporting and tracking—to frontline teams. This integration enhances adaptability and fosters a culture of shared accountability and proactive risk management across the three lines of defense.

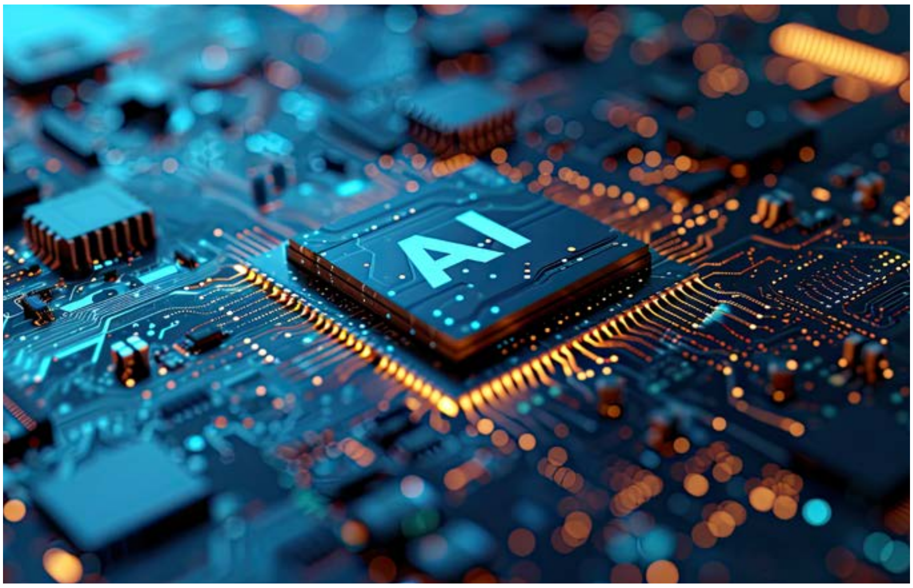
- The most pressing compliance issues sovereign wealth funds have encountered over the past two years are regulatory changes (57%), followed by data and cyber security (52%) and sanctions compliance (48%). These findings underscore the **growing pressure on sovereign wealth funds to navigate regulatory complexity** while managing emerging digital and geopolitical risks.

- Looking ahead, **managing multiple jurisdictions and regulatory changes remains the most critical challenge for sovereign wealth funds**' compliance teams, reflecting the growing complexity of navigating diverse regulatory environments. Although AI-related compliance risks were previously less prominent, awareness is rising: 57% now view the adoption of emerging technologies as one of the top three compliance risks for the year ahead.

- Finally, while three-quarters of sovereign wealth funds report leveraging technology to support their compliance programs, adoption varies widely across specific tools and capabilities. Only one third currently use regulatory change management solutions, and just 15% have adopted AI-driven tools, underscoring **significant untapped potential to strengthen efficiency and adaptability through more advanced integration of technology**.

57%

view the adoption of emerging technologies as one of the top three compliance risks for the year ahead.



Governance and the role of compliance

There is no standard structure for the compliance function's position in a sovereign wealth fund. Six respondents reported that their organization's compliance function rested within the legal unit, five that it was distributed across multiple departments, for another five it sat under risk management, and in four cases it operated independently.

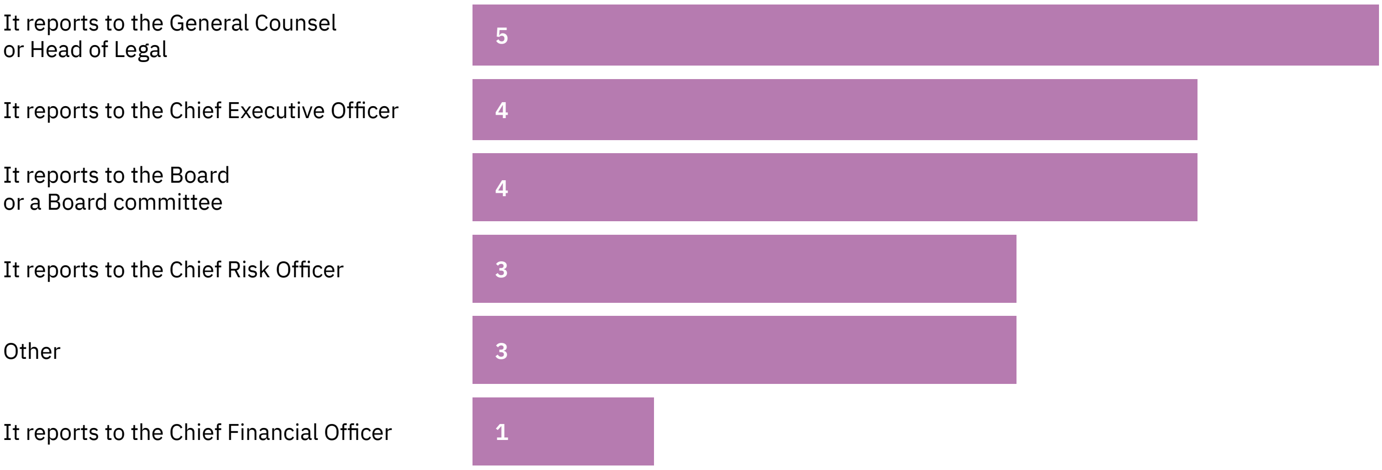
This variation indicates that organizing compliance is dependent on each organization's specific risks and governance priorities. It also highlights the need for close coordination and alignment across functions, particularly if the compliance governance structure is decentralized. Interestingly, most (80%) of sovereign wealth funds do not place compliance as a standalone function; instead, it is often operationally integrated with other second-line control functions such as Risk or Legal.

Figure 5: Where does the compliance function reside within your organization's corporate governance structure?

Source: IFSWF-SOFAZ Compliance Benchmarking Survey 2025

Our survey results reveal that sovereign wealth funds' compliance reporting lines are as diverse as their organizational structures for compliance. While five sovereign wealth funds indicated that compliance reports to the General Counsel or Head of Legal, only four to directly to the CEO and another four reported to the Board or Board committee, which is widely considered to be governance best practice for ensuring functional independence. This finding illustrates that some sovereign wealth funds' compliance functions to report directly to the CEO or Board, but that this practice is not yet widespread. Consequently, there is room for this group of investors to strengthen the independence of their compliance governance. Three respondents reported that their compliance function was accountable to the CRO, aligning compliance with risk management. Only one sovereign wealth fund noted that its compliance function reports to the CFO, and three cited other arrangements, including multiple reporting lines or reporting through senior executives such as Executive Vice President and Deputy President of Operations.

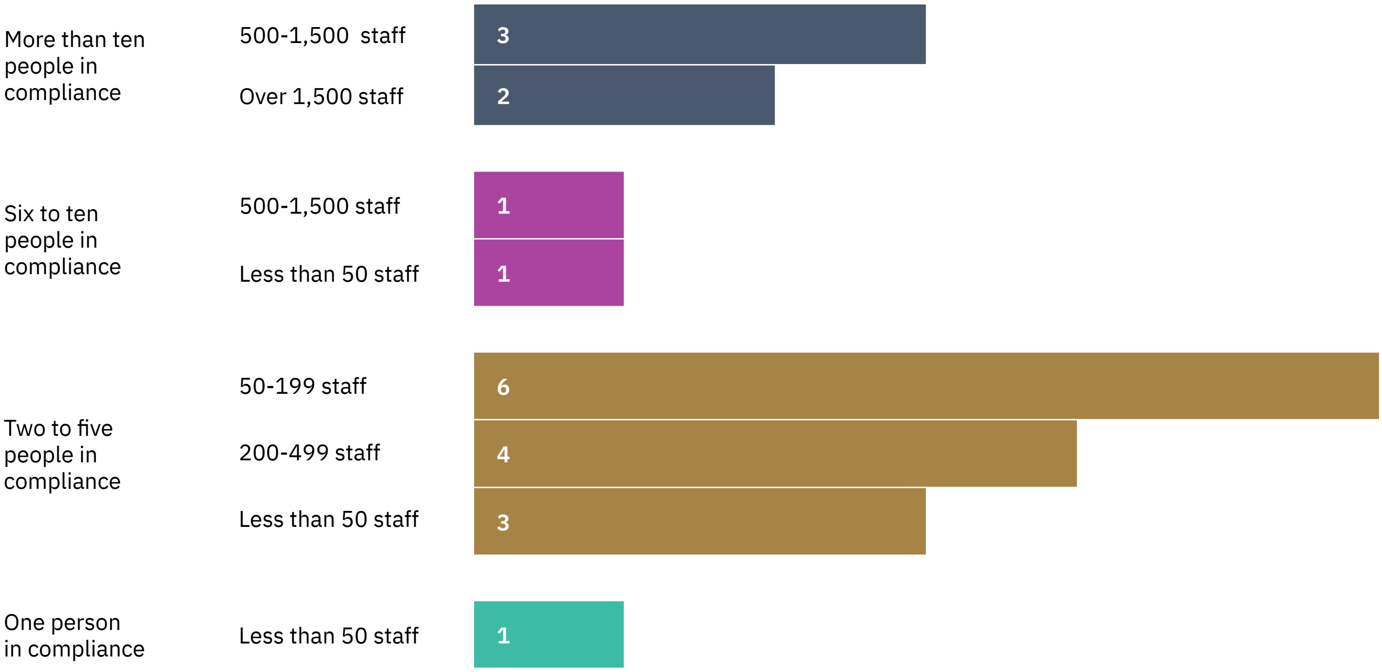
Figure 6: What is the reporting structure of the compliance function?



Source: IFSWF-SOFAZ Compliance Benchmarking Survey 2025

In terms of staffing, the survey results reveal that most sovereign wealth funds (13) have relatively modest compliance teams with two to five members. This could be indicative of several factors, including potential resource constraints or the integration of compliance responsibilities within other functions. At the same time, approximately a fifth of surveyed sovereign wealth funds (5 respondents) reported having more than 10 employees dedicated to compliance, suggesting that larger sovereign wealth funds or those operating in highly regulatory landscapes maintain well-resourced compliance teams. Only one fund reported having a single compliance employee, which might raise concerns regarding the effectiveness of its compliance function. Finally, two respondents reported medium-sized teams of six to ten employees dedicated to compliance.

Figure 7a: How many employees in your organization are dedicated to compliance? (Distribution by overall employee count)

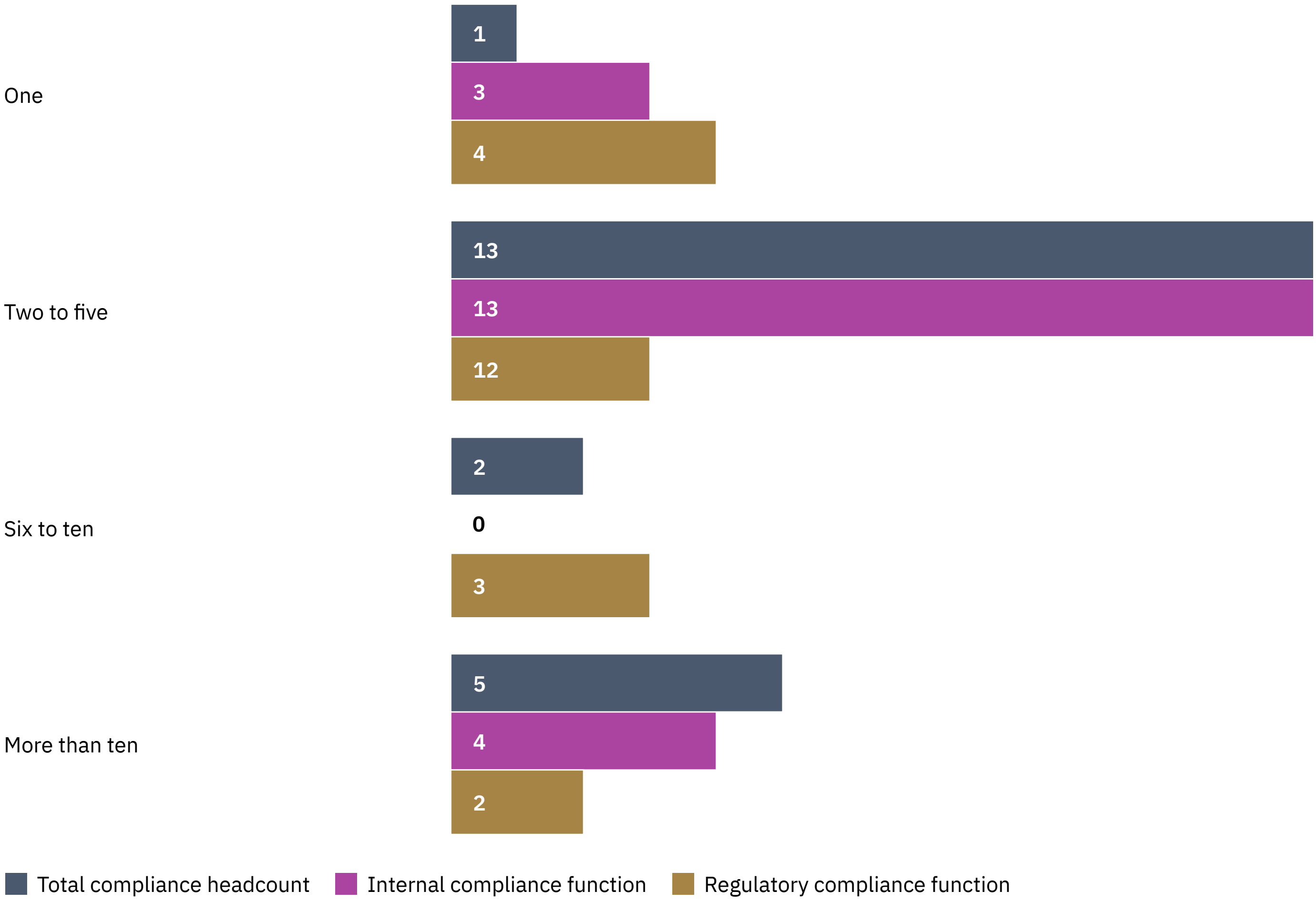


Source: IFSWF-SOFAZ Compliance Benchmarking Survey 2025

The chart shows that the most common setup among respondents is having 2 to 5 employees dedicated to compliance, particularly among organizations with 50 to 199 staff, where six respondents selected this option. Mid-sized organizations with 200 to 499 staff also frequently reported having 2 to 5 compliance employees, suggesting a consistent approach to compliance resourcing in that range. Larger organizations, particularly those with 500 to 1,500 staff and those with over 1,500, were more likely to report having more than 10 employees dedicated to compliance, reflecting the scaling of compliance functions with institutional size. Among smaller organizations with fewer than 50 staff, there was high variability in the number of compliance employees reported. Similar correlation of larger organizations (by assets under management) having larger teams still exists.

A comparison of the distribution of overall compliance teams with those assigned to Internal and Regulatory Compliance functions shows a consistent pattern across all categories: most of the funds have teams of two to five employees in each area, with only limited representation of mid-sized teams (six to ten employees) and even fewer large teams for the Internal Compliance function. Specifically, 13 respondents reported teams of two to five employees for Internal compliance, and 12 for regulatory compliance, reinforcing a clear trend toward lean compliance structures.

Figure 7b: How many employees in the organization are dedicated to compliance?



Source: IFSWF-SOFAZ Compliance Benchmarking Survey 2025

Despite modest staffing levels, sovereign wealth funds do not tend to outsource this function. Only 24% outsource their for the operational compliance activities. A preference for keeping the compliance function in-house may reflect strategic choices, concerns about data security risks, the need for deep organizational knowledge to manage compliance effectively, or possible cost considerations.

The five respondents who outsource compliance activities reported regulatory compliance reviews and third-party risk management as their top choice to select specialist expertise and leverage external efficiencies.

Figure 8a: Have any operational compliance activities been outsourced?

Source: IFSWF-SOFAZ Compliance Benchmarking Survey 2025

Figure 8b: Please select any outsourced compliance activities. (Select all that apply)

Source: IFSWF-SOFAZ Compliance Benchmarking Survey 2025

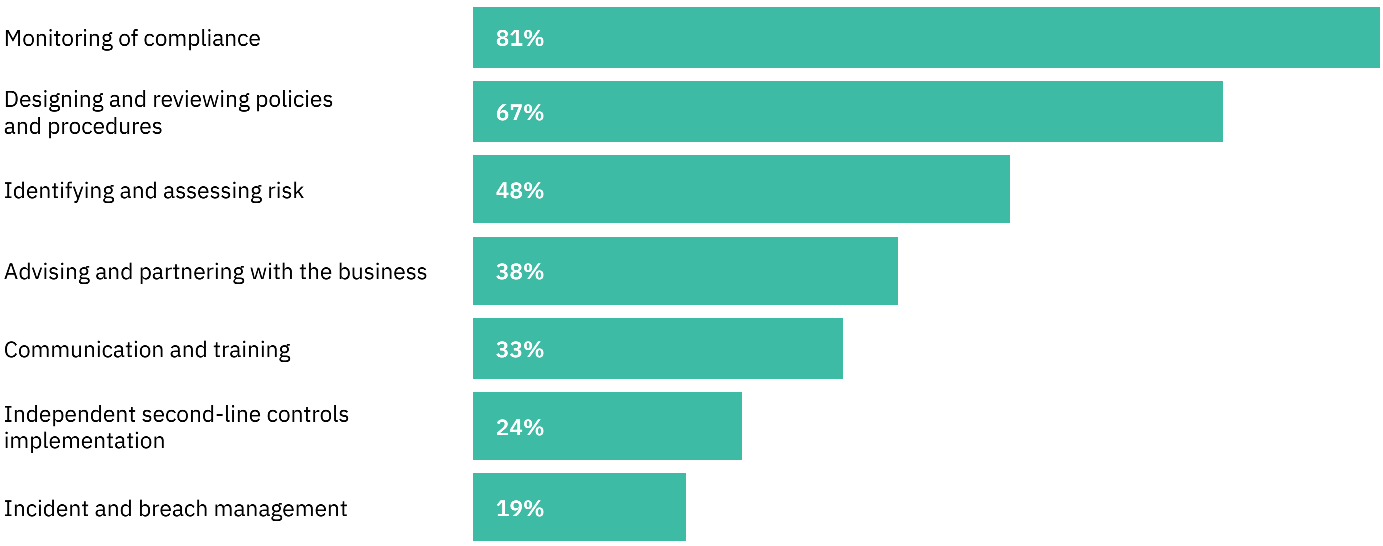
Focus areas of the compliance function

The expanding scope of day-to-day compliance responsibilities, coupled with the overarching need to achieve strategic objectives, underscores the importance of defining key focus areas for implementing a long-term roadmap.

The sovereign wealth funds surveyed identified the top three priorities for internal compliance functions as compliance monitoring (81%), policy management (67%), and risk identification and assessment (48%). When asked to identify their three primary focus areas for the Regulatory Compliance function, the results were largely consistent. Identifying and assessing regulatory change risks emerged as the top priority for respondents and was cited by 62% of survey participants. This was closely followed by ongoing regulatory compliance monitoring, transactional regulatory risk identification and assessment, and policy design and review, each prioritized by 57% of respondents.

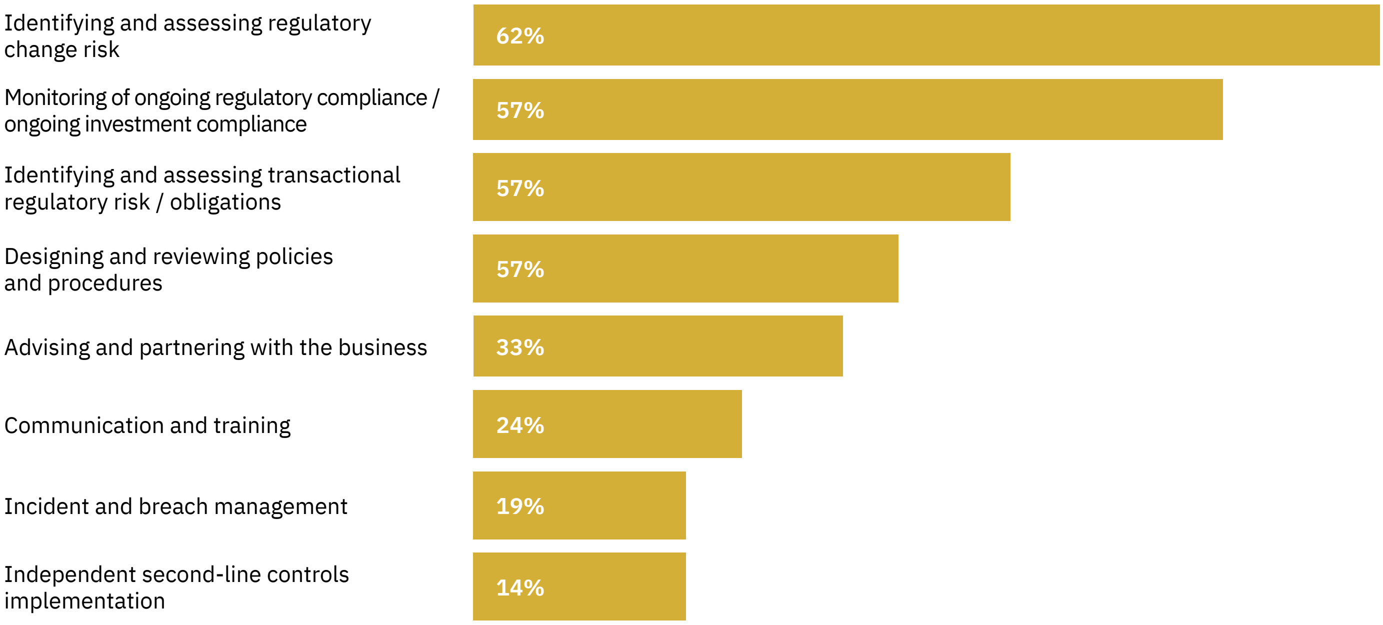
The fact that respondents' top priorities were compliance monitoring, policy management, and risk identification and assessment clearly demonstrates the preventive nature of the compliance function, as these focus on proactively overseeing adherence, maintaining clear and updated policies, and identifying potential risks before they materialize. By emphasizing these areas, compliance helps anticipate challenges, mitigate risks early, and maintain regulatory compliance, thereby reducing the chances of violations and costly repercussions. It is not surprising, therefore, that breach management was reported as a key focus area by only four funds, both within Internal and Regulatory Compliance functions (19%).

Figure 9a: Please select the three focus areas of your internal compliance function



Source: IFSWF-SOFAZ Compliance Benchmarking Survey 2025

Figure 9b: Please select the three focus areas of your regulatory compliance function



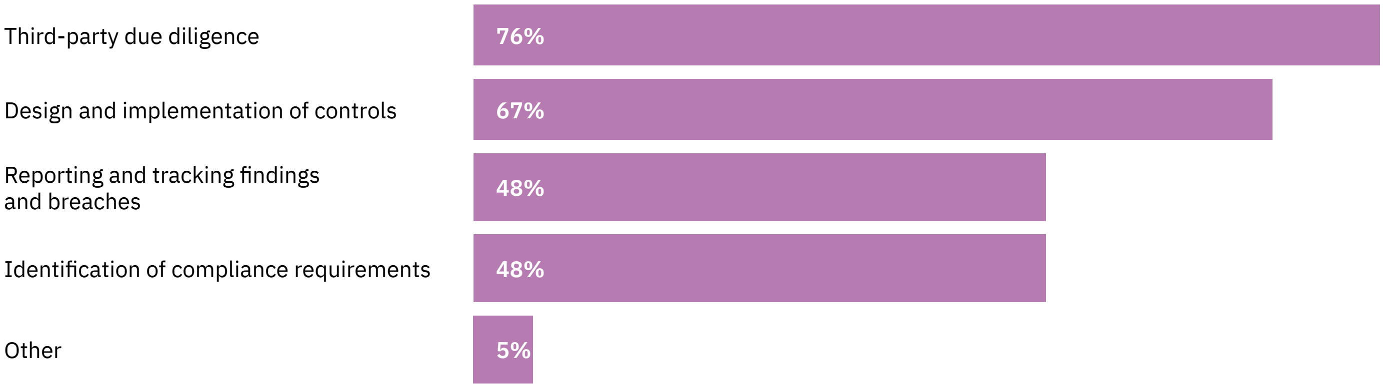
Source: IFSWF-SOFAZ Compliance Benchmarking Survey 2025

Among respondents' secondary priorities, both for Internal Compliance and Regulatory Compliance functions, were advising and partnering with the organization, cited by 38% and 33% of respondents, respectively. These findings further demonstrate that the compliance function is evolving to serve more as a trusted advisor and partner, working closely with the investment professionals to proactively identify risks and address issues before they arise.

This advisory and partnering role can add significant value by aligning compliance efforts with strategic goals and integrating the compliance risk management framework into day-to-day business operations and processes.

Notably, the surveyed sovereign wealth funds indicated a clear preference for delegating third-party due diligence (76%) and the design and implementation of controls (67%) to the business level. Moreover, nearly half of respondents reported delegation of identification of compliance requirements, as well as the reporting and tracking of findings and breaches, to the business units or first-line functions, as shown in the chart below. These trends suggest that the integration of compliance risk management within sovereign wealth funds is progressing steadily, contributing to a stronger and more embedded compliance culture.

Figure 10: Which of the following compliance-related activities are undertaken by other business units or first-line functions? Please select all that apply.



Source: IFSWF-SOFAZ Compliance Benchmarking Survey 2025

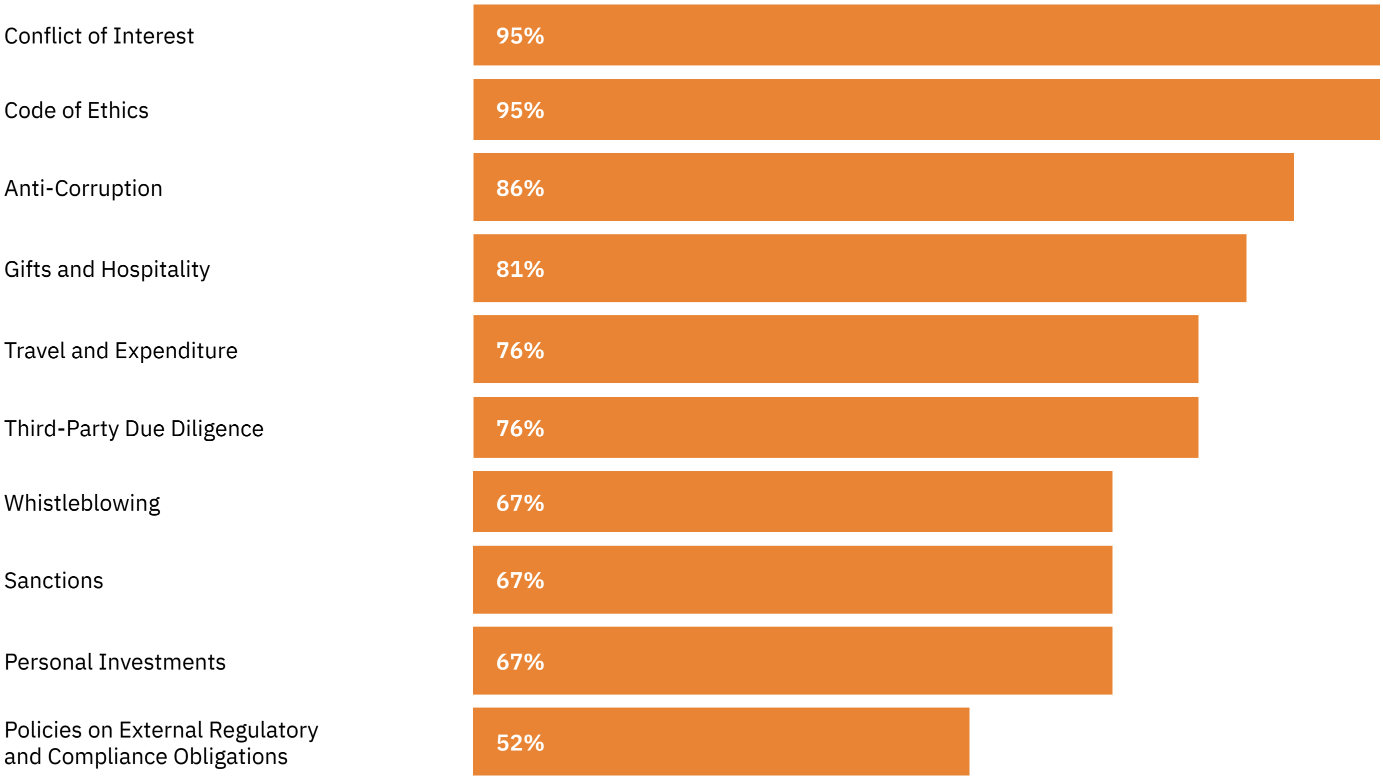
Within policy management, reported as one of the key focus areas of compliance function, Conflict of Interest and Code of Ethics policies are the policies most widely implemented by sovereign wealth funds, each cited by all respondents except one. Anti-Corruption and Gifts and Hospitality policies are also prevalent, reported by 86% and 81% of surveyed funds, respectively. The broad implementation of these closely related policies, along with Travel and Expenditure Policies (76%), reflects a strong emphasis by sovereign wealth funds on promoting ethical conduct and addressing potential conflicts of interest in decision-making.

Moreover, the survey respondents expect high ethical standards and compliance not only from internal stakeholders, but from their external partners. This is evident in the relatively high uptake (76%) of Third-Party Due Diligence policies, focusing on risk-based due diligence from the initial onboarding stage through to continuous monitoring across the entirety of the third-party relationship. These policies and established procedures on third-party due diligence are crucial for ensuring compliance with legal requirements, mitigating reputational risks, and upholding ethical business practices.

76%

high uptake of Third-Party Due Diligence policies.

Figure 11: Which compliance policies are currently in place at your organization? (Select all that apply)



Source: IFSWF-SOFAZ Compliance Benchmarking Survey 2025

Policies on External Regulatory and Compliance Obligations are the least commonly adopted among the funds surveyed. This finding does not fully align with other results from the survey, where regulatory compliance consistently ranks as a high priority for past challenges and anticipated concerns. Despite the relative lack of formalized policies, 74% of respondents reported having implemented formal frameworks for managing external regulatory compliance obligations. This suggests a broad recognition of the importance of a systematic approach to regulatory compliance, likely driven by increasing expectations from stakeholders. Nevertheless, the reluctance to formalize these frameworks into policy may stem from a desire to preserve flexibility in adapting to diverse regulatory regimes and a rapidly evolving global regulatory environment. It may also indicate that some organizations are still in the early stages of developing a more structured regulatory compliance function.

Figure 12: Has your organization adopted a formal framework for managing its external regulatory compliance obligations?

Source: IFSWF-SOFAZ Compliance Benchmarking Survey 2025

For those sovereign wealth funds that operate without either formal policies or established frameworks for regulatory risk management, the growing complexity of regulatory landscapes highlights a potential area for improvement. The absence of formal frameworks among this group may reflect a variety of factors, including smaller organizational scale, limited regulatory exposure, or resource constraints. Nevertheless, strengthening governance and risk management in this domain could help close gaps and enhance compliance resilience.

Key priorities and challenges

57%

reported regulatory changes as one of the three most pressing compliance issues.

More than half of our survey respondents (57%) reported regulatory changes as one of the three most pressing compliance issues they encountered over the past two years.

This is consistent with the other findings of the report, where a significant number of the surveyed sovereign wealth funds identified regulatory change risk identification and assessment as the top focus area for the Regulatory Compliance function, and again highlights the need for a structured approach to regulatory risk management.

Data security and cyber security were a close second (52%) in the list of most encountered compliance issues, reflecting a growing need to collaborate closely with Information Security to effectively navigate the diverse risks posed by digital transformation.

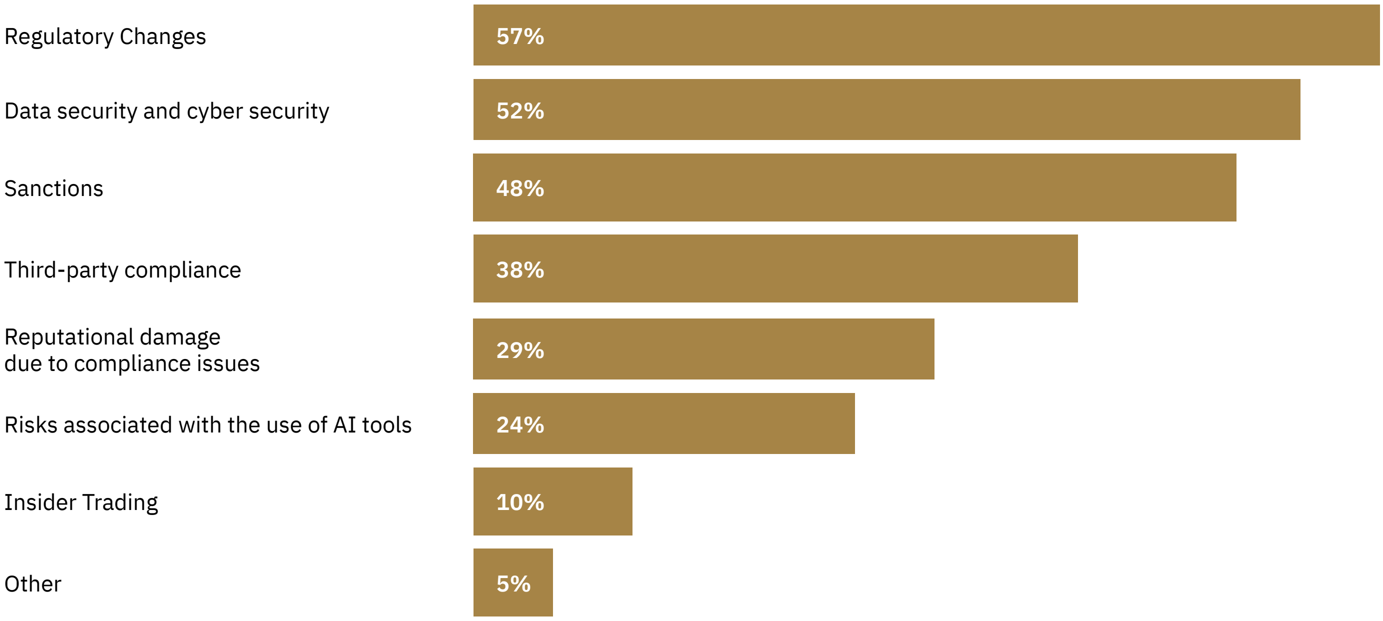
Moderate concerns included third-party compliance (38%)—such as conducting due diligence on business partners and responding to Know Your Customer (KYC) requests. A risk-based screening of third parties typically involves evaluating, among other areas, corruption and sanctions risks associated with third parties. This process should not be treated as a mere checkbox exercise, as third parties, who, in some circumstances, are regarded as extensions of the client organization, pose compliance risks that can significantly impact an institution's reputation. Notably, 29% of the sovereign wealth funds surveyed identified reputational damage stemming from compliance issues as one of the most significant challenges. This underscores the potential harm that compliance failures, including those related to third-party relationships, can inflict on the public image and broader reputational standing of the sovereign wealth funds.

29%

identified reputational damage stemming from compliance issues as one of the most significant challenges.

Source: IFSWF-SOFAZ Compliance Benchmarking Survey 2025

Figure 13a: What are the three most pressing compliance issues your organization has encountered in the past two years?



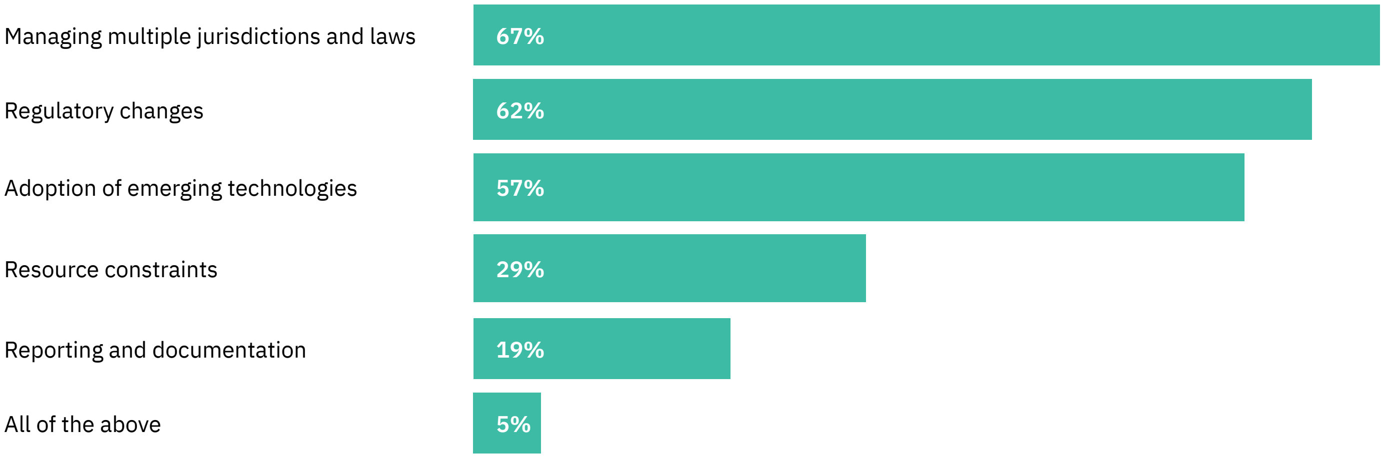
Source: IFSWF-SOFAZ Compliance Benchmarking Survey 2025

Looking ahead, managing multiple jurisdictions and regulatory changes remains primary concerns for compliance teams, with 67% and 62% of surveyed sovereign wealth funds, respectively, citing these as key challenges over the next 12 months. This underscores the complexity of navigating diverse legal landscapes and staying abreast of evolving regulations.

Closely following regulatory navigation are compliance risks associated with the adoption of emerging technologies. Notably, while only 24% of respondents identified risks associated with the use of AI tools as significant challenges in the past, awareness is rapidly increasing. Fifty-seven percent of respondents now rank the adoption of emerging technologies among the three most pressing compliance risks for the year ahead.

Despite the expanding scope of compliance functions and increasing stakeholder pressure to do more with less, only a moderate proportion of respondents (29%) identified resource constraints as a key challenge. This may suggest a continued integration of compliance-related responsibilities within the first line of defense, rather than relying solely on dedicated compliance functions to foster a culture of compliance and integrity.

Figure 13b: What are the three most pressing compliance challenges your organization expects to face in the next twelve months?



Source: IFSWF-SOFAZ Compliance Benchmarking Survey 2025

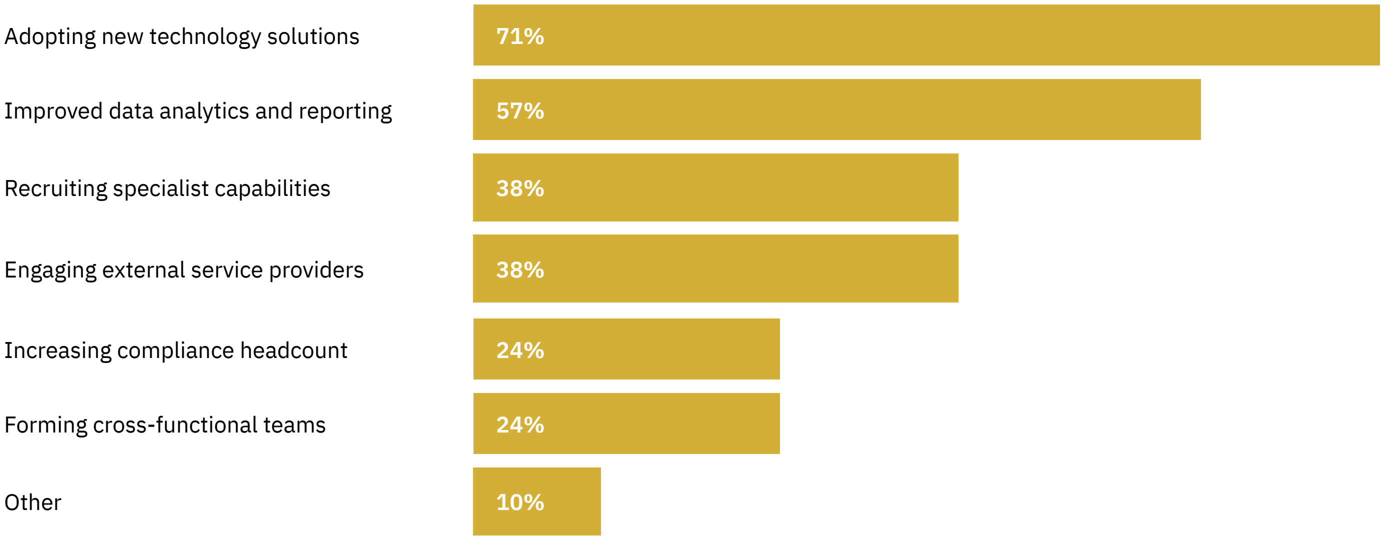
The primary strategies for managing compliance challenges included the adoption of new technology solutions (71%) and the use of enhanced data analytics and reporting (57%). This approach reflects a growing reliance on technology and data to improve operational efficiency and enable data-driven decision-making.

When implemented effectively, technology can help the funds respond to various challenges, including the evolving regulatory landscape, particularly through the integration of RegTech solutions. However, the adoption of emerging technologies across business functions also introduces new types of compliance risks, including data privacy and cybersecurity. The mitigation of these risks requires expert guidance and cross-functional collaboration. Unsurprisingly, 38% of sovereign wealth funds cited recruiting specialist talent as a major challenge, and 24% highlighted the formation of cross-functional teams as potential solutions, indicating the importance of compliance expertise and collaboration in addressing emerging challenges. Additionally, approximately a third of surveyed sovereign wealth funds are leveraging outsourcing strategies by engaging external service providers to better manage the growing expectation to optimize their limited resources.

71%

said that the adoption of new technology solutions was the primary strategy for managing compliance challenges.

Figure 14: How is your compliance function planning to address your most pressing challenges? (Select all that apply)



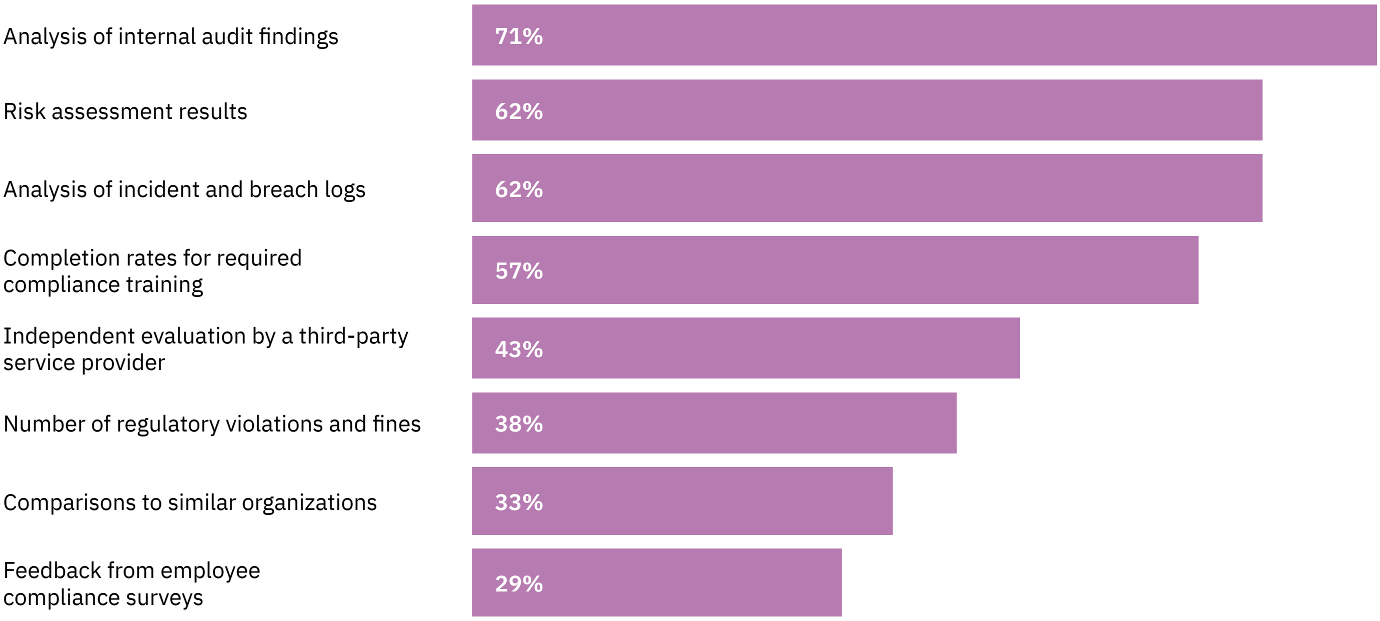
Source: IFSWF-SOFAZ Compliance Benchmarking Survey 2025

A long-term solution for the resilience of compliance programs is the continuous review and improvement of its design to address existing and emerging challenges. When we asked sovereign wealth funds to identify the metrics they use to evaluate the effectiveness of their compliance programs, our survey revealed that they primarily rely on internal metrics, with the analysis of internal audit findings being the preferred measure (71%). Risk assessments and incident analysis tied for second place (62%), followed closely by mandatory compliance training completion rates (57%).

External evaluation methods are less common among sovereign wealth funds: 43% of sovereign wealth funds we surveyed used independent third-party evaluations, and only one-third of the funds surveyed compared their compliance practices to similar organizations.

The clear preference for internal monitoring over external benchmarking may be related to the limited availability of comparative peer data, indicating that sovereign wealth funds might be missing opportunities to gain comparative insights in their compliance evaluation approach.

Figure 15: What metrics does your organization use to evaluate the effectiveness of its compliance program? (Select all that apply)



Source: IFSWF-SOFAZ Compliance Benchmarking Survey 2025

Is technology posing or addressing the challenges?

50%

of organizations use third-party background check tools as part of their due diligence processes.

While sovereign wealth funds recognize adoption of emerging technologies as a key challenge, they also widely regard it as a vital solution for addressing today's most pressing compliance issues. According to our survey, three-quarters of respondents reported leveraging technology solutions to support their compliance programs.

Although most sovereign wealth funds use technology in their compliance efforts, the level of implementation of various solutions varies considerably. This inconsistency may reflect differences in budget availability as well as the varying maturity levels of different elements within organizations' compliance programs.

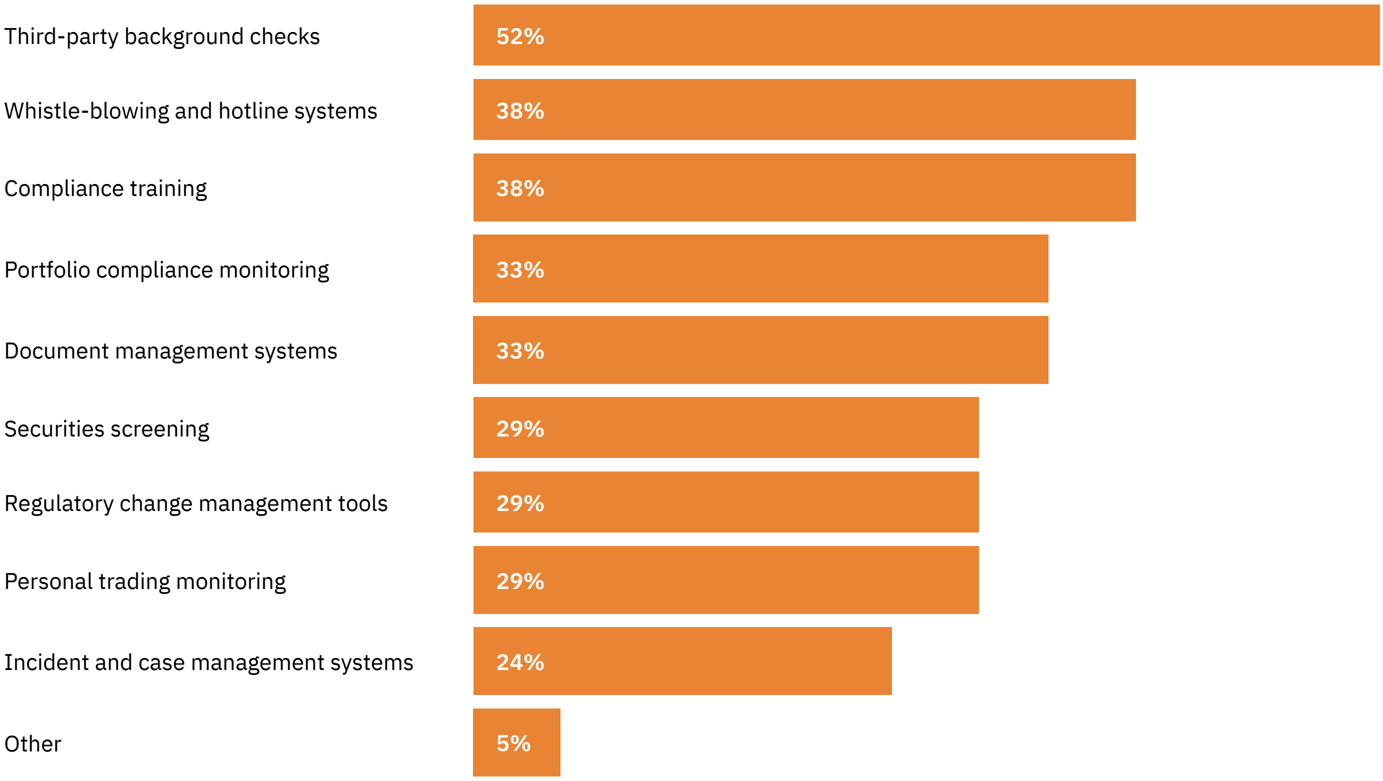
Among the technologies in use, third-party background check tools are the most widely adopted, with 50% of organizations using them as part of their third-party due diligence processes. Whistleblowing and hotline management systems, along with compliance training platforms, are the second most used tools, each reported by 38% of respondents. Only a third of organizations surveyed make use of regulatory change management tools despite regulatory challenges being consistently cited as a top compliance concern both in the past and looking ahead. This low rate of adoption suggests a potential area to strengthen the compliance programs of sovereign wealth funds.

Despite rapid advancements in artificial intelligence, only 15% of survey respondents currently use AI-enhanced tools to support their compliance efforts. AI applications in compliance program implementation span a range of compliance activities, including third-party risk management, risk assessment, document drafting, data analytics, and regulatory reporting. Over time, it is likely that compliance professionals will gradually recognize and adopt the transformative emerging AI technologies to enhance operational efficiency and effectiveness.

Figure 16a: Does your organization currently use any technology solutions and tools to support its compliance program?

Source: IFSWF-SOFAZ Compliance Benchmarking Survey 2025

Figure 16b: How does your organization employ technology in its compliance program? (Select all that apply)



Source: IFSWF-SOFAZ Compliance Benchmarking Survey 2025

Figure 17a: Does your organization currently use AI-enhanced tools to support its compliance program?

Source: IFSWF-SOFAZ Compliance Benchmarking Survey 2025

Looking forward

The ability to implement and leverage technological advancements can place a sovereign wealth fund's compliance function in an efficient future state.

In this report, we have sought to provide peer benchmarking data on the current role of compliance at sovereign wealth funds of various geographies, sizes and mandates, as well as determine what compliance challenges these funds are facing, and provide insights into how respondents are designing their programs to address both existing and emerging challenges.

Despite facing numerous challenges, including regulatory changes, data privacy and cybersecurity, sanctions and emerging technologies, finding the right balance of investment in people, technology, data analytics, specialist capabilities and support of external service providers could provide a common solution to tackle the dynamic compliance landscape. In particular, the ability to implement and leverage technological advancements can place a sovereign wealth fund's compliance function in an efficient future state and ensure the resilience of its compliance programs in an increasingly complex regulatory environment.

In the long term, a well-defined compliance strategy and program design combined with a strategic mindset can help sovereign wealth funds navigate emerging compliance risks more swiftly and confidently, strengthen the preventive role of compliance, and uphold integrity and reputation while aligning with the organization's overall strategic objectives.

Takeaways

1 Strengthening the Independence and Visibility of the Compliance Function

Many sovereign wealth funds still house compliance within legal or risk units, with limited direct reporting to the CEO or Board. To enhance oversight and independence, they could:

- **Consider establishing direct reporting lines** from compliance to the Board or a Board committee.
- **Position compliance as a standalone function** where feasible, or ensure strong cross-functional coordination in decentralized models.

2 Investing in Technology and RegTech Solutions

While 75% of sovereign wealth funds use some form of compliance technology, adoption of advanced tools remains low. To future-proof their compliance functions, these institutions could:

- **Expand the use of regulatory change management tools** and AI-driven compliance solutions.
- **Integrate data analytics platforms** to improve monitoring, reporting, and risk assessment.
- **Prioritize cybersecurity and data protection tools**, especially as digital risks grow.

3 Formalizing Regulatory Compliance Frameworks

Despite regulatory changes across global jurisdictions being a central concern, only half of sovereign wealth funds have formal policies in place for external compliance obligations. Steps they could take to improve this situation are:

- **Develop and document structured frameworks** for managing multi-jurisdictional regulatory risks.
- **Regularly review and update policies** to reflect evolving global standards and expectations.

4

Embedding Compliance into First-Line Functions

Sovereign wealth funds are increasingly delegating compliance tasks to business units, but this integration must be strategic. Consequently, they could:

- **Train and empower first-line staff** to manage first-line compliance responsibilities effectively.
- **Establish clear accountability and reporting mechanisms** to ensure consistency and oversight.

5

Benchmarking and Evaluating More Broadly

Most sovereign wealth funds rely on internal audits and training completion rates to assess compliance effectiveness, with limited external benchmarking:

- **Engage in peer benchmarking** to identify best practices and performance gaps.
- **Use third-party evaluations** to gain objective insights and validate internal assessments.

Acknowledgements

The International Forum of Sovereign Wealth Funds and the State Oil Fund of the Republic of Azerbaijan would like to thank all the sovereign wealth funds for their participation in this survey. We would also like to thank Nigar Usubova CFA, Senior Legal Counsel and Compliance Manager, of SOFAZ and Victoria Barbary, Director of Strategy and Communication at IFSWF for their analysis, preparing the text and coordinating the project. We would also like to thank Enrico Soddu, Head of Data and Analytics at IFSWF, for preparing the data.

Contributors

About the International Forum of Sovereign Wealth Funds (IFSWF)

The International Forum of Sovereign Wealth Funds (IFSWF) is a global network of sovereign wealth funds established in 2009 to enhance collaboration, promote a deeper understanding of sovereign wealth fund activity, and raise the industry standard for best practice and governance.

About State Oil Fund of the Republic of Azerbaijan

The State Oil Fund of the Republic of Azerbaijan, established in 1999, is a sovereign wealth fund dedicated to managing the nation's oil and gas revenues, with a commitment to safeguarding and enhancing wealth for future generations. As a long-term investor with over USD 65 billion in assets under management, SOFAZ pursues a diversified investment strategy that encompasses global opportunities across various sectors, including fixed income, equities, gold, real estate, and infrastructure.

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