

Asset owners, the Church of England Pensions Board and the BT Pension Scheme, alongside the UN-convened Net-Zero Asset Owner Alliance (AOA), Ceres, the Institutional Investors Group on Climate Change (IIGCC), the Principles for Responsible Investment (PRI), the Transition Pathway Initiative (TPI) are, supported by Chronos Sustainability, joining forces to create a practical tool to support investors in their assessment of sovereign climate-related risks and opportunities.

Target setting frameworks have been evolving, including IIGCC's Net Zero Investment Framework and the AOA's Target Setting Protocol. In addition, the PRI has recently published guides specifically focussing on ESG incorporation and engagement for sovereign bondholders.

These frameworks all need a robust approach to assessing sovereign carbon performance. The project partners agree that there is a critical need for an investor-led tool that can provide a common lens to understand sovereign exposure to climate risk and to understand how governments plan to transition to a low-carbon economy.

The project goal is to develop an assessment framework that enables the current and future climate change governance and performance of sovereigns to be fairly and appropriately measured, monitored and compared. This assessment framework will then be used to produce an annual public assessment of the climate change governance and climate change performance of sovereigns.

These annual assessments will provide insights that investors can use in their investment research and decision-making, and provide a sound and cohesive starting point for investors to engage with sovereign officials and policymakers on this topic.

### **Get Involved**

The project is currently at the scoping stage. We intend to commence the work in June 2021, and to complete and pilot the assessment framework by the end of 2021.

We are inviting expressions of interest from investors who would like to be involved in this project, e.g. being part of the project advisory committee, contributing financially to the project's funding. If you are interested in being involved, please write to Joanne Lewis at

[joanne.lewis@unpri.org](mailto:joanne.lewis@unpri.org)

AOA, Ceres, IIGCC, PRI and TPI will be consulting their members at key points during the project to ensure the framework aligns with respective initiatives and to maximise the opportunity for a consolidated unified approach amongst investors.