WORKING TOWARDS A CLIMATE RESILIENCE INVESTMENT FRAMEWORK

A discussion paper by IIGCC

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IIGCC

The Institutional Investors Group on Climate Change

Contents

About IIGCC

The Institutional Investors Group on Climate Change (IIGCC) is the European membership body for investor collaboration on climate change and the voice of investors taking action for a prosperous, low-carbon future. IIGCC has over 375 members, mainly pension funds and asset managers, across 25 countries, with over €60 trillion in assets under management.

Our mission is to support and enable the investment community in driving significant and real progress by 2030 towards a net zero and resilient future. This will be achieved through capital allocation decisions, stewardship and successful engagement with companies, policy makers and fellow investors.

For more information visit www.iigcc.org and @iigccnews.

Acknowledgements

IIGCC would like to thank the co-leads and members of its adaptation and resilience working group for their input into the development of an initial climate resilience investment framework over the course of 2022 which is the primary input into this discussion paper. We look forward to continued collaboration on this important topic.

1 Introduction

The Institutional Investors Group on Climate Change (IIGCC) supports investors in aligning their portfolios with the goals of the Paris Agreement. To date, the focus has been on the development of net zero investment strategies that enable investors to align with the mitigation focused objectives of the Paris Agreement, while managing the risks and seizing the opportunities associated with the low-carbon transition. This led to the publication of the Net Zero Investment Framework (NZIF)[1]. Since then, institutional investors globally have committed to align their portfolios with the mitigation goals of the Paris Agreement through initiatives such as Paris Aligned Asset Owners[2] and Net Zero Asset Managers[3].

Climate resilience goals should be pursued alongside climate change mitigation. The findings from the IPCC's Sixth Assessment Report[4] are clear: rapid emissions reductions are required in the coming years to remain within a +1.5^{0}C warming trajectory *and* preparations for physical climate impacts need to be strengthened, even within a +1.5^{0}C scenario. Recognising that the Paris Agreement also has climate resilience objectives in addition to its low-carbon objectives, IIGCC's ultimate aim is to develop a Climate Resilience Investment Framework that will complement the Net Zero Investment Framework. This paper is the first step in that process.

2 Overview

This discussion paper provides an early insight into IIGCC's first steps towards creating a Climate Resilience Investment Framework. It does this by:

- Looking at the relationship between physical climate risks, investment portfolios, underlying assets, as well as the markets and systems in which they operate (section 4)
- Setting out key levers investors have to address asset risks, portfolio risks, and systemic risks (section 5)
- Proposing elements of an overall framework, commitment text, and foundations of target setting (sections 6, 7, 8)
- Suggesting a phased approach for investors to integrate and adopt the framework (section 9)

3 Call for input

This paper acts as a call for input and feedback from the investment community, climate resilience experts, and the wider group of stakeholders that have already pushed the resilience agenda within the financial industry, such as insurers, banks, and regulators.

Where existing methodologies, approaches, and datasets exist and are relevant, IIGCC would like to incorporate and signpost to these. Some approaches and frameworks are already under consideration but require deeper exploration and thoughtful incorporation. Generally, these are relevant to either the whole portfolio or to specific asset classes. Key examples are the Joint MDB Paris Alignment Approach[5], Race to Resilience Metrics Framework[6], the ASAP Adaptation Solutions Taxonomy developed by the Lightsmith Group and partners[7], Physical Climate Risk Assessment Methodology (PCRAM)[8] tool developed by Coalition for Climate Resilient Investment (CCRI), and the ACT Adaptation Methodology[9]. The current and future direction of key climate and sustainability regulations and disclosure frameworks have also been considered, such as TCFD, SFDR, and ISSB.

IIGCC has started engaging stakeholders as part of the development of this framework. Around 20 key stakeholders have been consulted during the first stages of framework development and IIGCC would like to extend its appreciation to all those who have provided feedback and input to date. IIGCC is looking forward to continued collaboration.

Stakeholders are invited to provide feedback on this discussion paper. Two to three discussion questions are set out within each section. However, feedback on any aspect of the paper is welcomed. Feedback can be provided via until Friday 14th October 17:00 BST via an online form that can be accessed here. Feedback will be reviewed by IIGCC's adaptation and resilience working group and considered during the ongoing process to develop the framework.

1 The Net Zero Investment Framework: Implementation Guide v.1.0 (IIGCC, 2021)
2 A group of 57 asset owners globally that have committed to net zero through the Paris Aligned Investment Initiative.
3 A group of 237 asset managers globally that have committed to net zero.
4 Climate Change 2021, The Physical Science Basis (IPCC AR6 WGII, 2021)
5 Joint MDB Assessment Framework for Paris Alignment for Direct Investment Operations (Joint MDB Climate Finance Group, 2021)
6 Race to Resilience Metrics Framework (Race to Resilience, 2021)
7 ASAP Adaptation Solutions Taxonomy (Lightsmith Group, 2020)
8 Physical Climate Risk Assessment Methodology (PCRAM BETA Version) (Coalition for Climate Resilient Investment, 2022)
9 ACT Adaptation Methodology (ACT Initiative, ADEME, 2022)

4 The basis of a Climate Resilience Investment Framework

Institutional investors and physical climate risk

Investors, regulators, and policymakers are increasingly recognising that physical climate risks can have financial impacts for investment portfolios. If these present material risks, investors need to take them into account to meet their fiduciary duty. By taking action to address physical climate risks, investors can help build the climate and financial resilience of both individual assets and their portfolio more broadly, as well as helping to channel investment towards adaptation solutions. In turn, this can help to build the climate resilience of wider society to a changing and more variable climate.

Physical climate risks are an important aspect of responsible investment. Climate change is rapidly intensifying physical risks across most regions and sectors, threatening the economic prosperity which has been essential to improving global living standards. A responsible investment policy, therefore, will need to consider physical climate risks and opportunities.

Financing for climate resilience needs to rapidly increase to meet growing resilience needs. Governments have committed to increasing finance for climate resilience[10]. However, private finance is required to scale this to meet the level of financing required. The UN Environment Program estimates that global climate resilience financing needs will be up to USD 300 billion per year by 2030, and up to USD 500 billion per year by 2050[11]. CPI highlights the current gap in international financial flows for climate resilience, which currently sits at USD 46 billion annually, with only limited mobilisation of private finance[12].

IIGCC has explored physical climate risk through four publications in 2020 and 2021.

- Navigating climate scenario analysis – a guide for institutional investors
- Understanding physical climate risks and opportunities
- Addressing physical climate risks: key steps for asset owners and asset managers
- Building resilience to a changing climate: Investor expectations of companies on physical climate risks and resilience

10 Joint Statement – Accelerating Investment in Climate Adaptation and Resilience (Finance in Common, 2020)
11 Adaptation Gap Report 2021 (UNEP, 2021)
12 Global Landscape of Climate Finance 2021 (Climate Policy Initiative, 2021)

Building on this work, IIGCC has started to develop a Climate Resilience Investment Framework. In 2022, IIGCC and its investor members initiated the development of a Climate Resilience Investment Framework (CRIF), through an adaptation and resilience working group of asset owners and asset managers. The CRIF will help investors to manage the risks to their operations and portfolios posed by the physical impacts of climate change and take advantage of emerging opportunities, in line with fiduciary duty and regulatory requirements. This includes disclosures increasingly expected or required through the Task Force on Climate-related Financial Disclosures (TCFD), the EU Sustainable Finance regulations, ISSB, and others.

Efforts to increase climate resilience should complement and support mitigation efforts. IIGCC recognises that efforts to mitigate the causes of climate change are paramount and must increase, further recognising that limits to adaptation exist. The CRIF will complement and add to the existing efforts by investors to limit global average temperature rise through investor commitments to net zero and is not intended to substitute or distract from them. Complementing existing mitigation efforts with adaptation efforts also recognises the importance of private sector stability and prosperity to the broad achievement of many other Sustainable Development Goals of the 2030 Agenda of which investors already work to contribute.

Physical climate risk factors

The Climate Resilient Investment Framework proposes the adoption of recognised language and concepts used within financial risk management. This allows for better integration into overall risk management governance at both the senior management and distributed levels within an investment organisation, as well as in the finance functions of the assets they invest in.

Physical climate risks are understood to affect investment portfolios through multiple transmissions channels. For example, assets directly or indirectly impacted by climate hazards such as floods or heat stress, may cause a risk to investors through a change in asset valuation, the ability of the asset to pay back loans or provide dividends. Physical climate risks may exacerbate a number of risks to which investors are exposed, including liquidity risk, reputational risk, and credit risk. Given the regional nature of many physical risks, concentration risk will also be an important consideration for investors. Physical climate hazards can also lead to macro-economic risks that may affect investment portfolios, such as higher inflation and interest rates and loss in GDP.

Q1. What are the main risk transmission channels through which physical climate hazards impact investment portfolios?

Q2. Do you agree that it is relevant and important for investors to aim to address asset risks, portfolio risks, and systemic risks?

Identifying two levels of risks

Recognising the risk transmission channels outlined above, a Climate Resilience Investment Framework should address institutional risks on two levels:

Asset and portfolio risks

Physical climate risks will directly and/or indirectly affect investors' assets, and therefore, investment portfolios as an aggregation of risks to assets. Therefore, investors will need to understand if and how assets are able to adapt to physical climate risks. Physical climate risks may directly affect the operations, supply, and value chains of investors' assets, or indirectly affect assets through the broader economic, human, or natural environment, such as through shifts in prices, migration, and labour market frictions. For equities, for example, when a business is not able to rebound from shocks, this can lead to financial risks such as reduced annual revenue, increased operating expenditure, or lower growth forecasts. A CRIF and related targets would rely on scenario analyses of the effects of various physical climate risk events on the exposure and adaptive capacity of assets in a portfolio. This will help investors to understand if and how these assets are able to identify and adapt to physical climate impacts and continue to operate through both acute and chronic physical climate related risk events.

Adaptation is also pertinent for investors' own operations. However, depending on an investors' size and scale, it may be dwarfed by the impact on investment portfolios, as in the case of investors' scope 3 financed emissions.

Systemic risks

Investors likely need to pursue resilience at asset, portfolio and systemic levels. Physical climate risks have already proven to negatively affect market risks and it is already well established that vulnerability to climate impacts is multi-scalar in nature. Therefore, investors likely need to pursue resilience at asset, portfolio and systemic levels. For example, sovereigns impacted by physical climate risks may experience slower economic growth, a worsening credit profile and/or increased insolvency risk. Evidence suggests that sovereign insolvency risk also transmits to a country's private institutions, thereby, affecting investors that have exposure to both these sovereign issuers as well as private markets[13].

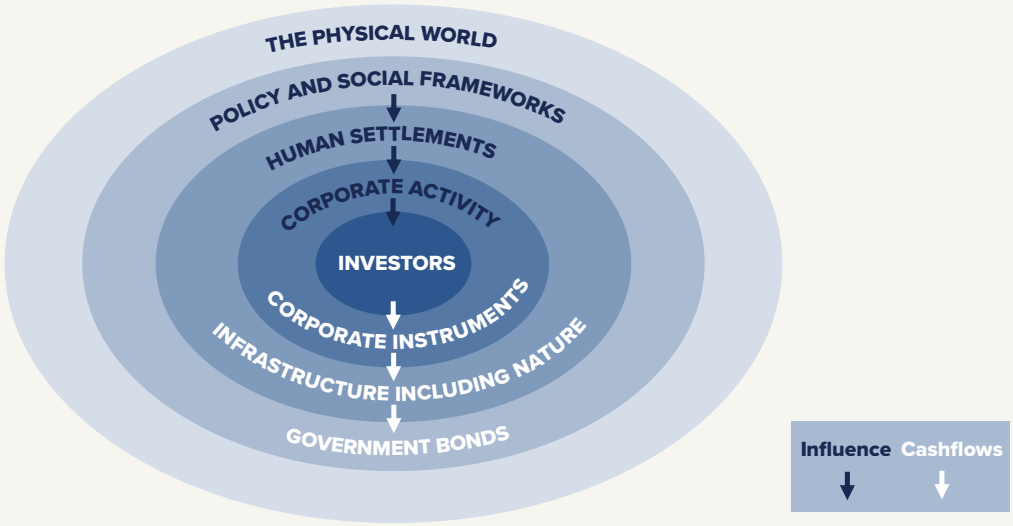
Figure 1 presents an investor's view of the relationships between the physical climate, societal structures, corporate activity, and investment portfolios. It supports the 'double materiality' perspective now adopted by key regulatory frameworks such as the EU Sustainable Finance Regulation[14]. The principle is that investments and economic activity impact physical climate, and that physical climate impacts investments and economic activity, as well as the social and economic systems in which they operate.

Given limitations to achieving resilience through enhancing adaptive capacity at the asset level alone, the most impactful adaptation measures are likely to be public investments and reducing physical risks on natural or built environments within which economic activities takes place for public benefit.

13 Climate Change and Sovereign Risk (SOAS University of London, Asian Development Bank Institute, World Wide Fund for Nature Singapore, Four Twenty Seven, 2020)

14 The double materiality of climate physical and transition risks in the euro area (europa.eu) (ECB, 2022)

Figure 1: An investor's view: climate resilience and its interrelation with asset risk and systemic risk



5 Key levers for a Climate Resilience Investment Framework

Addressing two levels of risks

There are a number of options available for investors to start addressing asset risks, portfolio risks and systemic risks, in line with fiduciary duties.

1. Integration of physical risk and opportunities into investment processes

Investors should view the physical risks associated with climate change and the need to adapt to these risks in the same way as they would any other investment risk. The risks and opportunities presented by the physical impacts of climate change should be integrated into existing risk assessment and management processes. This can be done by proactively building capacity within investment companies and via stewardship of assets in portfolios. Physical climate risks are already driving increased use of risk management tools. This is already being seen with the nascent use of climate-scenario planning by central and commercial banks in their purview.

2. Asset allocation and portfolio construction

Portfolio construction can either increase or decrease physical climate risk exposure within a portfolio, and the exposure of investors to adaptation opportunities. Integrating data from risk and opportunity assessment into portfolio or fund construction and asset allocation decisions can mediate concentration risk. However, physical climate events do not happen in isolation and physical climate risks can result in market risks. Where one business is affected by flooding, it is likely that businesses across a region, and subsequently supply and value chains extending beyond, will be affected.

With increasingly intense climate risk events occurring, across different markets and sectors, the approach to concentrating risk needs to be augmented.

3. Asset alignment, engagement and stewardship

Investors can play a crucial role in supporting assets to build adaptive capacity. Through stewardship, engagement and direct management (where applicable), investors can support assets to build climate resilience. Physical climate risks are known to affect credit risks associated with individual companies and physical assets such as infrastructure and real estate. However, individual companies will also be affected by overall market conditions and hence market risks.

For investors, addressing physical climate risks by improving the adaptive capacity of their investments should be central to a CRIF. As set out in IIGCC's Investor Expectations[15], this may include supporting assets to establish sufficient governance frameworks, undertake physical risk and opportunity assessments, develop and implement climate resilience strategies, and disclose relevant information and metrics to demonstrate progress. Throughout, investors should encourage assets to increase investment in adaptation solutions.

A CRIF should incentivise investors to engage with assets to develop climate resilience strategies that are complementary to national, regional, and/or sectoral adaptation priorities. However, investors will also need to accept limits to adaptation, which may be prominent given the current inadequate public investment in addressing physical climate risks.

15 Investor Expectations of Companies on Physical Climate Risks and Opportunities (IIGCC, 2021)

4. Investment in adaptation solutions

Investors can support investment in activities addressing physical climate risks by increasing investment in specific instruments designed to finance adaptation. This includes listed use of proceeds bonds issued by governments. Such instruments provide a double payback via the investment yield and the reduction in overall market risk. Public-private partnerships also provide a route to invest in solutions and enhance systemic resilience, particularly within infrastructure and nature-based solutions assets. On the listed equities side, this includes engaging with companies to invest in and disclose expenditure (capex and opex) associated with increasing corporate resilience, as well as revenues from offering adaptation solutions or services.

5. Policy advocacy

Investors can aim to align their investment processes and decisions with national and regional government action on climate resilience. This includes engaging with local authorities as well as industry bodies across sectors, avoiding maladaptation, including negatively affecting others when addressing physical risks on discrete assets. Engagement with financial regulators and supervisors in relation to the implementation, monitoring and enforcement of physical climate requirements within climate disclosure frameworks such as the TCFD and ISSB will also support investors pursue resilience goals.

6. Disclosure

Enhanced disclosure and reporting will support the necessary flow of information relating to physical climate risks and opportunities required for building resilience. Access to robust, consistent, and comparable physical climate data is fundamentally important to an investor's ability to understand physical climate risks and to steer investment towards climate resilient pathways. A CRIF should set out key metrics and expected disclosures for both investors and assets. For example, metrics and disclosures relating to adaptive capacity, or that go beyond asset-level resilience and cover systemic resilience, are largely absence from the data landscape. Engagement with data analytics providers will also be essential to ensure increase accessibility, consistency, and transparency of data products.

A CRIF should recognise that investors are already subject to a range of voluntary and mandatory disclosure requirements. It should not create a separate reporting standard but drive best practice disclosure through key frameworks such as TCFD, whilst advancing industry standards.

Q3. Do you agree that the six levers in section 5 are the main avenues through which investors can build climate resilience at the asset and portfolio levels?

Q4. Which levers are most important for investors to contribute towards building systemic climate resilience?

Q5. Are there other levers that have not been identified here?

6 A Climate Resilience Investment Framework: A proposed structure

Figure 2 sets out a proposed structure of a Climate Resilience Investment Framework (CRIF) and a series of underlying steps that investors can take to support climate resilience objectives. IIGCC is carrying out more work to clearly define the recommended actions and steps within each component, particularly as they relate to specific asset classes within the asset alignment component. The asset classes IIGCC plans to cover are listed equity, corporate fixed income, infrastructure, real estate, and sovereign bonds.

IIGCC proposes the following components of a framework structure:

- Governance and strategy
- Targets and objectives
- Strategic asset allocation
- Asset class alignment
- Policy advocacy and market engagement

Figure 2: Proposed outline of a Climate Resilience Investment Framework

Sets direction and portfolio structure for alignment

PORTFOLIO / FUND LEVEL

Governance and Strategy

- Commit to the goal of maximising portfolio alignment with climate resilience objectives, and adopt an investment strategy that promotes investment in climate resilience opportunities, while ensuring consistency with net zero objectives
- Define beliefs, investment strategy and mandates/performance objectives for staff in relation to climate resilience
- Ensure that climate resilience is considered in climate-related financial risk assessments carried out in line with TCFD recommendations
- Integrate physical climate risks and opportunities into financial and other reporting (e.g., to clients, to stakeholders), in line with TCFD recommendations.
- Commit to developing and publishing a clear climate resilience strategy (either as a stand-alone strategy or embedded into other operational protocols and procedures), and to embed climate resilience into disclosures on governance, strategy, metrics and targets
- Commit to strengthening expectations of investment and portfolio managers to conduct climate scenario analysis on their managed assets to assess and address physical climate risks
- Prioritise the achievement of real economy resilience improvements within the markets, sectors, and companies associated with the investor
- Provide clients with information and analytics on physical climate risks and associated investment opportunities
- Commit to still prioritise efforts to mitigate the causes of climate change

Targets and Objectives

- Set basic, stretch and advanced targets on physical climate risk assessment, portfolio alignment with climate resilience objectives, climate resilience investment, engagement and stewardship, and policy advocacy to inform Strategic Asset Allocation and monitor impact of strategy

Strategic Asset Allocation

- Undertake granular portfolio assessment to determine physical climate risk exposure at sector, market, and fund level
- Assess portfolio alignment with climate resilience objectives
- Monitor potential for increased climate resilience investment

Shifts alignment of assets to meet portfolio goals	**ASSET CLASS LEVEL**	**Asset Alignment** **Assess alignment of assets and set alignment targets:** • **Step 1:** Set the scope for assessing asset-level exposure, adaptive capacity, and vulnerability to material physical climate risks • **Step 2:** Assess the current and forward-looking alignment of existing and new assets using the criteria and methodologies to be established by the forthcoming framework • **Step 3:** Set alignment targets and implement a strategy to increase alignment of assets with climate resilience pathways and increase allocation to climate resilience solutions over time • **Step 4:** Define actions to align portfolios with climate resilience pathways, and to achieve the above-mentioned targets **Implement alignment actions:** • Portfolio construction: mainstream physical climate risk assessment into portfolio and pipeline management and monitor investment in climate resilience • Engagement and stewardship: set clear expectations of assets to improve alignment with climate resilience objectives, including the development and implementation of climate resilience strategies • Selective divestment: reserve as a last resort when all engagement and escalation options have been exhausted, especially for assets with a negative influence on the climate resilience of other parties • As required, create investment products supporting financial flows into resilience and facilitate increased investment in adaptation solutions.
Influences enabling environment to facilitate alignment	**EXTERNAL ADVOCACY & ENGAGEMENT**	**Policy Advocacy and Market Engagement** • Engage with physical climate analytics service providers to improve coverage, quality, consistency, transparency and comparability of data • Work with standard setters on developing the range of climate resilience-related metrics that can inform investment decisions and financing instruments • Engage with national and regional authorities in improving the enabling environment for investment alignment with climate resilience goals

Q6. Does the proposed core structure of the Climate Resilience Investment Framework seem complete and encapsulate existing thought leadership on the key components? Are any further improvements needed?

Q7. When adding specificity to recommendations for different asset classes, are there any key initiatives, methodologies, and/or data sets that should be included within the framework?

7 Indicators and targets for a Climate Resilience Investment Framework

For ensuring resilience of asset portfolios, IIGCC's Climate Resilience Investment Framework aims to adopt the same broad approach to target setting as the Net Zero Investment Framework.

The Net Zero Investment Framework recommends that investors set five targets:

- **Operational emissions reduction target** (scope 1 and scope 2)
- **Portfolio coverage target** requiring a 5-year target for increasing the percentage of AUM in material sectors classified as i) achieving net zero, ii) ″aligned″, iii) ″aligning″
- **Engagement threshold** prescribing collective engagement and stewardship actions where net zero thresholds in material sectors are not met
- **Portfolio decarbonisation reference target:** requiring a <10-year absolute or intensity CO_2e emissions reduction target
- **Allocations to climate solutions target:** requiring a <10-year target for allocation to climate solutions

Applying this approach to a Climate Resilience Investment Framework would involve:

- A "maturity scale" asset alignment metric adapted to a resilience agenda
- Prioritisation of a % of AUM, supported by an engagement target based upon the same maturity scale alignment
- Portfolio level targets aimed at increasing resilience and investing in adaptation measures (including nature-based solutions)

However, recognising that the physical risk and resilience data landscape is nascent, the Climate Resilience Investment Framework currently proposes a range of indicators that focus attention on the actions investors can take now to support resilience efforts and manage physical climate risk in portfolios. It is likely that these indicators can be evolved into quantitative targets in the future. The indicators cover five key categories through which investors can take action.

Table 3: Proposed indicators in a Climate Resilient Investment Framework

Category	Indicator/s
Physical climate risk scenario analysis	Proportion of portfolio assessed in physical climate risk scenario analysis • Units: % or $ AUM
	Proportion of portfolio assessed as exposed to material physical climate risks • Units: % or $ AUM
Corporate alignment with climate resilience objectives	Number of assets that have resilience strategies in place • Units: # of assets; % AUM
	Proportion of portfolio assessed as i) aligned, ii) aligning and ii) non-aligned with climate resilience objectives • Units: % or $ AUM
Allocations to Climate Solutions Targets	Portfolio allocation to climate resilience solutions • Units: % or $ AUM
	Sovereign investment allocation to climate resilience solutions (including labelled bonds) • Units: % or $ AUM
Engagement	For asset owners: • % asset managers asked to i) report on climate resilience in accordance with the forthcoming framework, ii) include climate resilience in stewardship policies and practices • Number of investment mandates that incorporate expectations relating to climate resilience For asset managers: • % of companies assessed as aligned with climate resilience objectives, or are subject to direct or collective engagement and stewardship actions
	Proportion of portfolio assessed as aligning or non-aligned that is under direct or collective engagement • Units: % or $ AUM
	Number of engagements that have included climate resilience as a topic • Units: #
Policy advocacy	Number of climate resilience policy advocacy engagements initiated • Units: #

Q8. Is the approach to target setting under the Net Zero Investment Framework considered suitable and possible in the context of climate resilience?

Q9. Are the same indicators applicable across all asset classes within scope (listed equities, corporate fixed income, real estate, infrastructure, private markets, alternatives) or is there a need to define asset class specific indicators?

Q10. Given the more qualitative nature of climate resilience relative to mitigation, how can the framework ensure that future targets are specific, measurable, achievable, relevant, and time-bound?

8 A resilience commitment for investors

IIGCC supports asset owners and asset managers globally to commit to net zero, set decarbonisation targets, and develop strategies to deliver against those goals. The Net Zero Investment Framework is a key tool to guide net zero target setting and strategy development and is used by investors committed to net zero via Net Zero Asset Managers and Paris Aligned Asset Owners.

As with net zero, commitments to supporting climate resilience are an important aspect of responsible investment. However, there are important differences between net zero alignment and alignment with climate resilience objectives which will likely necessitate separate commitment vehicles. Net zero goals are quantitative, clear and pathway-reliant whereas climate resilience goals are more process-based and context-specific. In addition, the data required for alignment with climate resilience objectives is more granular, location-specific and typically harder to obtain.

IIGCC calls on investors to contribute to the development of a more robust framework. Given the relative nascency in financial sector approaches to enhance climate resilience, it is challenging to define an authentic, tangible, achievable, and measurable commitment to climate resilience for investors. In place of this, IIGCC calls on investors to collaborate and work together to enhance a framework for supporting resilience.

As an initial step towards defining a resilience commitment for investors, IIGCC has outlined possible components of such a commitment:

- A recognition that limits to adaptation and resilience exist.
- Acknowledgement and commitment that mitigation efforts by governments and the private sector must increase to maximise the chance for adaptation to be successful.
- The commitment supplements mitigation efforts and does not replace them. Those who commit must already have begun mitigation efforts via an established net zero initiative.
- Investors will support and encourage governments to address vulnerability at a systems level which provides 'public goods', and therefore create an enabling environment for private efforts to improve resilience against physical climate risks.
- Investors will support wider climate resilience when this does not conflict with their fiduciary duties, and where relevant opportunities exist to do so.

Q11. Do you believe that the six levers for action identified in section 5 can be the basis of a resilience commitment statement for investors?

Q12. Do you agree with an investor commitment to support public investment in activities which address physical climate risks, particularly investment in listed use of proceeds bonds by governments or public-private partnerships?

Q13. What should be included in an advocacy statement calling for more opportunities to collaborate in national efforts to address physical climate risk?

9 Defining further work

IIGCC is targeting a phased approach to further developing the Climate Resilient Investment Framework. A comprehensive Climate Resilience Investment Framework covering all asset classes cannot be achieved in the short-term. Therefore, prioritisation is key. IIGCC proposes a prioritisation based on likelihood of impact and potential for practical application in the short term. For instance, infrastructure is an important asset class because vulnerabilities in the infrastructure system tend to result in systemwide vulnerability for all those which depend on that infrastructure for public services. Other key areas include investment in resilience solutions, policy advocacy, and corporate engagement.

A phased approach has been successful for the Net Zero Investment Framework v.1.0. Since its publication in March 2021, it has been complemented with a Net Zero Stewardship Toolkit[16], and supplementary guidance on target setting[17]. Forthcoming updates include additional guidance for infrastructure and private equity asset classes, and guidance for measuring allocation to climate solutions.

Following feedback received in response to this discussion paper, continued collaboration with industry stakeholders, and road testing of initial recommendations with investors, IIGCC plans to release components of a framework on an iterative basis throughout 2023 and beyond.

16 IIGCC's Net Zero Stewardship Toolkit (2022)
17 IIGCC's Supplementary Target Setting Guidance to the Net Zero Investment Framework (2021)

Q14. Which components of a Climate Resilience Investment Framework should be prioritised for development and why?

Q15. Should a phased approach to investor implementation of the recommendations in the framework be adopted or should the CRIF only be operationalised when significantly completed?

design by raggedright

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