

# Sovereign Climate KPIs

Understand country exposure to and management of climate issues

## Overview

Sovereign debt investors are exposed to a range of climate change risks that are overlooked and often not properly incorporated in the investment process. LSEG offers exclusive metrics on carbon footprint, energy transition, and physical climate risks in our sovereign sustainability solutions feed.

LSEG has developed several unique models to assess country-level exposure to climate risks and opportunities.

## Benefits

- **Uncovers sovereign bond portfolio exposure to climate risks and opportunities:** Understand underlying drivers of carbon intensity metrics, including green and brown proxies, stranded assets, and recent trends, along with exposure to physical and transition risks.
- **Demonstrate alignment with international standards:** Use our data to fulfil reporting obligations to align with TCFD recommendations and/or Article 173 requirements.
- **Integrate advanced climate metrics to inform investment strategies:** Use our advanced climate transition metrics to understand portfolio alignment with Paris Agreement targets.

## Features

### Comprehensive coverage

170 countries covered, with historical data available for over 10 years.

### Historical and forward-looking metrics

Use our advanced climate transition KPIs to assess country alignment with the goals of the Paris Agreement.

### Flexible access

You can access our data via LSEG Workspace, Eikon, LSEG Datastream and via the Yield Book Add-In and API.

## Sovereign Climate KPIs: Model structure

The Sovereign Climate KPIs allow investors to understand country exposure to and management of climate issues across the themes of carbon footprint, energy transition and physical climate risks. We have developed over 25 proprietary climate metrics across 170 countries, including an advanced statistical model to measure country alignment with a two-degree or Paris-aligned climate target.

Carbon footprint		Energy-climate transition		Physical climate risk	
Reference indicator at the national level	– GHG/GDP	Historical responsibility	<ul style="list-style-type: none"> <li>– % of historical GHG vs. historical population</li> <li>– % of historical GHG vs. historical GDP</li> </ul>	Consensus analysis	– Average based on referential analysis
Indicator at the public sector level	– GHG/government debt	Energy mix	– Green share (low carbon energy)	Long-term models and scenarios	– Impact of climate change on GDP per capita
Stranded assets	– GHG/GDP of fossil reserves	Performance adjusted by wealth levels	– Gap between total actual and theoretical GHG/capita emissions (reference levels based on GDP/capital)	Economic climate risk	– Internal index
Carbon border tax impacts	– Improvement of the trade balance (% of imports)	Recent track record and short-term trends	<ul style="list-style-type: none"> <li>– Historical GHG/GDP c.5 years</li> <li>– GHG/GDP forecasts c.5 years</li> </ul>	Attenuation factors	– Internal index
		Climate objectives	<ul style="list-style-type: none"> <li>– NDC vs. recent available data</li> <li>– 2°C carbon budgets vs. recent available data</li> <li>– % of contribution of INDCs to 2°C objectives</li> </ul>	Physical climate risk	– Internal index

## Using Sovereign Climate KPIs

Our sovereign climate KPIs can be used to integrate climate considerations in sovereign bond investments, including for climate reporting.

### Understand exposure to climate risks and opportunities



Use our comprehensive and advanced climate KPIs to understand portfolio exposure to climate transition and physical risks, as well as underlying drivers.

### Fulfil regulatory and other reporting requirements



Our climate metrics can be used to support reporting requirement such as TCFD recommendations or local regulations.

### Custom Benchmarks



Many investors want a tailored benchmark to reflect their climate strategies. Our climate KPIs can be used to support bespoke sovereign bond indexes that are optimized for exposure to climate risks.

## Contact us

To learn more, visit [lseg.com](https://lseg.com); email [info@lseg.com](mailto:info@lseg.com); or call your regional Client Service Team office:

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## ABOUT LSEG

LSEG is one of the world's leading providers of financial markets infrastructure and delivers financial data, analytics, news and index products to more than 40,000 customers in over 170 countries.

We help organisations fund innovation, manage risk and create jobs by partnering with customers at every point in the trade lifecycle: from informing their pre-trade decisions and executing trades to raising capital, clearing and optimisation.

Backed by more than three centuries of experience, innovative technologies and a team of 25,000 people in over 60 countries, we are driving financial stability, empowering economies and enabling you to grow sustainably.

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