Sustainable Finance Disclosure Regulation (SFDR)

Analytics and regulatory solutions to support your SFDR requirements

STATE STREET®

When it comes to ESG, we are focused on improving the quality and comparability of data across sectors and industries.

Analytics and Regulatory Solutions for the European Financial Disclosure Requirement (SFDR)

Environmental, social and governance (ESG) factors are quickly becoming one of the most important frontiers in the investment industry. As long-term stewards of our clients' assets, we are committed to understanding how structural changes in value drivers will impact the long-term value of our clients' portfolios. When it comes to ESG, we are focused on improving the quality and comparability of data across sectors and industries.

As you evaluate the material risk and return opportunities across ESG issues, we are committed to helping asset managers and owners achieve more transparency around the ESG profiles of their portfolio holdings. To help you do this at scale, our solution set provides ESG analytics and regulatory reporting in line with upcoming regulations such as the European SFDR.

Why Does SFDR Mean for You?

Aiming to strengthen protection for end investors and improve ESG disclosures, the three European Supervisory Authorities (EBA, EIOPA and ESMA) developed standards requiring financial services firms to make sustainability-related disclosures beginning in June 2021.

The SFDR impacts investment firms, pension providers and insurance-based investors with 500 employees or more. All EU-domiciled funds will be in scope whether the fund is deemed to be ESG-specific or not.

Equities and fixed income will be the primary consideration when producing the Principle Adverse Impacts (PAIs). Alternatives are considered depending on the level of information available via a vendor or manager directly. Fund investments should consider and have look-through into the underlying securities. Derivatives and cash are not currently considered in the PAIs.

Disclosures should regularly measure factors such as:

- **Environmental:** Carbon emissions and footprint, non-renewable energy consumption, biodiversity, water consumption, non-recycled waste
- **Social:** Number/rate of accidents, injuries, fatalities, complaints handling mechanism, incidents of discrimination
- **Governance:** Gender pay, excessive CEO pay ratio, board gender diversity, human rights policy, workplace accident prevention, whistleblower protection, anti-bribery and corruption policies

As you evaluate your needs around SFDR, we recommend asking three key questions:

1. Is there consensus among vendors of the ESG rating for my companies and funds?
2. What investment decisions can I make to improve the overall ESG rating of my portfolios
3. How do I consider my ESG risks alongside my traditional market risks?

How We Can Help

With growing investor interest in ESG integration, we built State Street ESG Analytics. The addition of ESG analytics is a perfect complement to the existing full-service model, which covers all aspects of financial risk measurement, including market risk, liquidity risk and counterparty risk.

With a global support team and a rigorous risk control environment structured around stringent standard operating policies and procedures, we deploy innovative and advanced technology through an automated, integrated experience.

Our ESG solution aligns with these goals by allowing you to rely on an outsourced data management capability so that you can spend more time exploring investment opportunities rather than non-revenue generating tasks.

On top of allowing you to meet your regulatory obligations, our data and analytics can feed into your risk and investment management process. Flexible and customizable online analytics tool allows you to perform detailed analysis on your ESG scores alongside other investment analytics such as market risk, liquidity, counterparty risk, and other types of regulatory and limit reporting.

State Street ESG Reporting & Analytics Solution Set

Data Management

- Collect Position data
- Multiple sources
- Aggregate data
- Cleanse data
- Enrich with terms & conditions
- Source benchmark data

Analytics Processing

- Create assumptions
- Valuation of positions
- Assimilate market data
- Generate scenarios

Controls

- Reconcile to source
- Day-over-day results
- Review exceptions and investigate
- Re-send revised data if required

Results

- ESG Factors
- Sensitivities
- Exposures
- Value-at-Risk
- Liquidity Analysis
- Portfolio Analytics Stress tests
- Style Analysis

Reporting

- Interactive Online
- Regulatory
- Industry Standard
- Custom
- PDF, Excel or XML
- Direct Feed

Risk oversight, data management and actionable information

What You Need to Know

What is SFDR?	Sustainable Financial Disclosure Regulation or SFDR for short is a new piece of EU regulation that will require financial services firms with 500 employees or more to report ESG metrics.
When is it happening?	Firms need to be thinking about it now as reporting must start by 30 June 2021.
How frequently do we need to it?	The first report needs to be disclosed on 30 June 2022, but metrics need to be captured frequently throughout the period.
What do I need to do?	There are a list of over 60 indicators that your firm will need to collect across a wide range of ESG factors.
What should I be concerned about?	This will be a large data management exercise, not just for collecting holdings data across all your funds. However, there is not a single ESG market data vendor who can currently provide all of the indicators to complete a full disclosure. This means you will need to subscribe to multiple ESG data vendors, and then pull on that information into the final disclosures.
How is State Street helping clients?	We designed this solution to help our clients make more-informed investment and risk management decisions, and are now leveraging it to help our clients meet the SFDR.

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