



Managing SFDR with ICE ESG Reference Data

Sustainable Finance Disclosure Regulation (SFDR) introduces various disclosure-related requirements for financial market participants and financial advisors at entity, service and product level. The aim of the regulation is to provide more standardization and transparency on sustainability within the financial markets, preventing greenwashing and ensuring comparability. These measures became applicable on March 10, 2021¹; it is expected that the level 2 detail will apply from January 1, 2022 in most cases.

Market Challenge

Financial Market Participants (FMPs) or parent undertakings of large groups with more than 500 employees are required to publish annual reports on their website on Principal Adverse Impacts (PAIs) of their investment decisions. FMPs need to report across securities issued by corporates, sovereigns and on real estate assets held and indicators for each have to be split out by issuer type.

For corporate issuers, there are 14 mandatory disclosures, and a further 16 optional climate-related and 17 social-related indicators, from which FMPs must disclose at least one from each category. Two disclosures are required for sovereign or supranational investments and another eight are optional. Finally, there are two mandatory disclosures for real estate assets and five more are optional. FMPs will need **to combine company self-reported data with externally-sourced ESG risk data** in order to calculate the indicators for this disclosure requirement and then weight the values according to investment size.

ICE Solution

ICE's SFDR PAI solution, provided in conjunction with our ESG risk data collaborator RepRisk², offers high-quality and up-to-date input values for 13 of the 14 mandatory corporate indicators, with the 14th under review, and can provide inputs for 28 of the 33 optional indicators. The dataset is taken from our wider ICE ESG Reference Data service that captures over 500 company reported data points. These are consolidated into the product for an extensive range of use cases.

By combining ICE's up-to-date input values taken from company disclosures with RepRisk ESG risk data, which are generated using a combination of AI and machine learning with human intelligence to systematically analyze public information and identify material ESG risks, we can offer a Principle Adverse Impact solution, the ICE SFDR PAI solution. RepRisk ESG risk data are externally-sourced, updated daily, and cover the full spectrum of ESG risks, from human rights and labor law violations to bribery and corruption. The ICE SFDR PAI solution provides a 360-degree view of an entity's ESG risks – enabling clients to disclose how their financial products and activities integrate sustainability risks and pursue the objective of sustainable investment.

ICE's company-level ESG Reference Data is mapped to our corporate hierarchy data to facilitate linkage between securities held by clients in their portfolios or funds. Our constantly expanding coverage already spans issuers or parents of over 5.2 million securities across all asset classes and is expected to grow. A solution for the sovereign/supranational indicators is under review and design.

¹Though due to a delay in the publication of the level 2 Regulatory Technical Standards (RTS), only the level 1 'principles based requirements' apply initially, e.g. publication of policies surrounding considerations of adverse impact of investments.

² RepRisk ESG data science and quantitative solutions, www.reprisk.com.

Outcome

ICE can help clients with the regulatory challenge of reporting across their portfolio of investments with our SFDR PAI solution. Our extensive data model that leverages the ESG risk data from RepRisk offers comprehensive coverage of the disclosure requirements, providing the tools necessary to facilitate disclosure and support compliance with the SFDR.

Learn more

theice.com/ESG-ReferenceData

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