

Prepare your firm for SFDR with market-leading ESG datasets

Under the EU's new Sustainable Finance Disclosure Regulation (SFDR), from 10 March 2021 financial market participants will need to consider whether adverse sustainability indicators apply to their investment strategy. SFDR is part of a broader legislative package under the European Commission's Sustainable Finance Action Plan aimed at boosting sustainable investment and transitioning the EU to a low-carbon and more resource-efficient economy. With the final report on the draft regulatory technical standards (RTS) on the content, methodologies and presentation of disclosures now published, financial market participants must get ready to implement the new complex requirements from 1 January 2022.

The PAI reporting challenge

One of the key challenges posed by SFDR is the annual disclosure of Principle Adverse Impact (PAI) indicators, of which 18 are mandatory (with four applying only to real estate or sovereign investments). Firms are also required to publish at least two more optional indicators from a list of 46. The indicators cover environmental, social and governance (ESG) issues, including a substantial number of fields where many corporations do not currently disclose meaningful data.

Calculation and reporting of the PAI indicators will require vast amounts of new ESG-linked datasets. With the first reporting of this dataset required from June 2023, for a reference period that begins in January 2022, firms do not have much time to identify their data gaps and source new datasets.

Our comprehensive data solution

To meet their SFDR requirements, firms need data they can trust from a provider that can clearly demonstrate the measures taken to ensure data quality and explain how the data is processed. Bloomberg has mapped our available sustainability data directly to SFDR's PAI indicators to give firms clarity and confidence in their SFDR reporting.

ESG data

Bloomberg has been collecting and normalizing ESG non-financial disclosure data since 2006, drawing from corporate sustainability reports and public filings covering more than 410,000 active securities across 102 countries. Our ESG data now includes information on more than 11,700 public companies (representing 84% of global market capitalisation) organized into 1,300+ fields, and includes as-reported data, derived ratios and sector- and country-specific metrics. Our ESG Disclosure Scores rate companies on their level of ESG disclosure and span key sustainability topics, including:

- Air quality
- Climate change
- Water & energy management
- Materials & waste
- Human capital
- Audit risk & oversight
- Compensation
- Diversity
- Board independence, structure & tenure
- Shareholders' rights

Carbon emission data

A key part of compliance with the SFDR reporting requirements is a comprehensive carbon footprint of investments made during the reference period. Bloomberg's new carbon dataset estimates historic emissions for over 50,000 international companies and provides the option to pull the estimates at the 99th percentile, should your firm wish to adopt the precautionary principle. Data is currently available for scopes 1 and 2 carbon emissions, with scope 3 expected prior to the January 2023 phase-in requirement.

About Bloomberg Professional Services

To succeed today, financial institutions must respond to challenges that are not addressed by traditional approaches. They require world-class solutions that integrate people, processes, information and technology for the front office, middle office and operations. Our full suite of sustainable finance solutions, available on the Bloomberg Terminal and through our Enterprise Data feed, empowers asset owners, asset managers, issuers and regulators to identify, analyze and capitalize on material business risks such as climate risk and emerging sustainability opportunities such as low-carbon energy transition.

Take the next step.

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