COMPLYING WITH SUSTAINABLE FINANCE REGULATIONS WITH CLARITY AI

One of the largest asset managers in the Nordics, sought a solution to comply with both SFDR and the EU Taxonomy Regulation. They required the highest level of data reliability & greatest regulatory expertise.

THE GOAL

As part of the European Action Plan on Sustainable Finance, financial market actors offering products in the EU are required to comply with the Sustainable Finance Disclosure Regulation (SFDR), which came into force on March 10th, 2021, and make disclosures aligned with the EU Taxonomy starting on Dec 31st, 2021.

As a reference player in Europe and a leader in sustainability practices, our client was seeking a solution to comply with the highest quality possible with both regulations.

For SFDR, the key element was to report on the Principal Adverse Impacts of funds, a set of mandatory sustainability indicators and several voluntary ones.

Sustainability data is still fragmented, non-standardized and unreliable, conflicts among different providers for the same metric are common. The client’s preferred solution would need to provide data of the highest reliability and thereby meet their top-notch sustainability standards.

For the EU Taxonomy, the desired solution would need to offer the greatest accuracy and granularity, as well as an expert-level understanding of the intricacies of the regulation, whose complexity could easily lead to misleading and inaccurate analysis and reporting.
Clarity AI’s SFDR solution allows investors to report the Principal Adverse Impacts of funds, providing coverage of all mandatory PAIs applicable to companies and sovereigns for up to 30,000 companies.

Our machine learning algorithms, combined with deep sustainability knowledge, ensured that data delivered was of the highest quality and that metrics were aligned with the SFDR definition.

Clarity AI’s dedicated EU Regulatory Solutions offer a comprehensive and easy to use suite of tools to help investors comply with SFDR and EU Taxonomy disclosures.

What Clarity AI provides:
- Separately identify the 2 required dimensions: hazardous & radioactive waste
- Report the sum of both metrics, as per SFDR requirements

For our client, Clarity AI’s capacity to map company revenues to more than 1,500 economic activities and the extensive regulatory expertise of the team, guaranteed fulfillment of their accuracy requirements, allowing for the best and most precise reporting.
With Clarity AI, the client has not only gained access to capabilities that support mandatory reporting of sustainability factors, but has also seized the opportunity to influence the development of a regulatory reporting solution through ongoing dialogue with Clarity AI’s team of experts and ensure that the platform fulfills all current and future investor requirements.

Successfully complying with SFDR and the EU Taxonomy Regulation is absolutely essential to us – as is having the best range of data available for our internal ESG analysis. Hence, ensuring that our SFDR disclosures and Principal Adverse Impact approach leverage the most reliable data in the market, and that our EU Taxonomy reporting offers the highest granularity and accuracy, is paramount for a sustainability leader.

Head of Responsible Investments
Top European Asset Manager