

FOR IMMEDIATE RELEASE

How Ready is Europe for the ESG Revolution?

Clearwater Analytics and Sionic Release New Report on the Asset Management Industry's Readiness for 'a Tsunami of Change'

LONDON — 26 May 2021 — Global SaaS provider Clearwater Analytics and global consulting firm Sionic have today announced the results of a joint Europe-wide study exploring how ready the European asset management industry is for the Sustainable Financial Disclosure Regulation (SFDR) and ESG (Environmental, Social and Governance) transparency initiatives.

The report is based on a March-April 2021 survey of 21 European asset managers and 14 asset owners, including insurance companies and pension funds. It looks in detail at the current state of readiness to comply with regulation; the changes required to firms' operations and supporting technology; and the key challenges firms face around data availability and standardisation.

The key findings show that:

Asset owners and managers – reporting is critical

Asset owner key ESG focus areas are:

- Reports from managers – 72% of those that receive ESG-related reports from managers would prefer to standardise reports across managers. Only 18% are currently able to do this.
- Manager assessment and monitoring – 50% of the sample have ESG specific exclusion policies of whom 64% are monitoring against these restrictions manually, with a preference to automate where possible.
- Internal reporting – whilst 79% of firms are incorporating ESG-related info into board reports for example around carbon footprint, this is at early stages and will evolve and mature over time.

Asset managers are focusing on:

- 80% on front office analytics.
- Client reporting – 90% need to comply with SFDR and only 14% have identified an appropriate data source for the indicators.
- Compliance and monitoring – a third are extensively including ESG limits in their checks and a further 47% plan to enhance this area.
- United Nations Principles for Responsible Investing (UN PRI) and Taskforce on Climate-related Financial Disclosures (TCFD) are the initiatives that have gained most traction, with 85% of asset managers looking to address SFDR and TCFD together.

Data is key

Data is the biggest challenge for both firm types – coverage, consistency and comparability ranking as the most cited issues.

- External data providers are becoming more vital, with 95% of asset managers subscribing to at least one, averaging five, with 60% aiming to increase this number over the coming year.
- Asset owners are subscribing to fewer, with half not subscribing to any and the average being one, however 43% said they were looking to increase.
- All asset managers are creating their own ESG data, with over 75% creating both scores and company engagement data, whereas 42% of owners are not producing any internal ESG data.

Robert Keller, CFA, Head of Product, Investment Management at Clearwater Analytics comments: “It’s clear that asset managers and asset owners are actively making significant enhancements to their operating model to support sustainable investment activities. But we believe that the increasing in-flow of funds into ESG-related products and growing regulatory interest mean that this is just the beginning of a tsunami of change.”

Clare Vincent-Silk, the report’s lead author and Partner at Sionic adds: “Sustainable investment is increasing the challenges on data functions that are dealing with disparate, incomplete ESG data sets which are being used as inputs to internal modelling, exclusion checks and reporting. Firms need to have in place an efficient and effective operating model, ensuring that their technology and data platforms offer the flexibility and scale to cope with this evolving type of investment activity, while providing an enhanced internal or external client experience.”

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Notes to Editors

1. The findings of this report will be released in a Clearwater Analytics–Sionic Webinar beginning at 14.00 BST on Wednesday 26th May 2021. Media representatives can register to attend [here](#).
2. The full report is available to download [here](#). Some infographics will be available by request, made to the media contacts.
3. This report was commissioned by Clearwater Analytics and conducted and co-authored by Clare Vincent Silk and James Tasker from Sionic’s specialist Asset Management Practice.
4. Clearwater Analytics is a global industry-leading SaaS solution for automated investment data aggregation, reconciliation, accounting, and reporting. Each day, the Clearwater solution reports on more than \$5.5 trillion in assets for clients that include leading insurers, asset managers, corporations, pension plans, governments, and non-profit organizations – helping investment professionals across 50 countries make the most of their investment portfolio data with a world-class product and client-centric servicing.
5. Sionic is a global consulting firm specialising in financial services. The firm’s specialist Asset Management Practice helps leading asset managers, pension funds, insurers and service providers to transform their operating model, technology enablers and strategy, with expertise in end-to-end operating model design; outsourcing strategy and implementation for the front, middle and back-office; regulatory change; market research; benchmarking; product strategy and development; post-merger integration; and data management strategy, system selection and implementation. www.sionic.com
6. Clare Vincent-Silk is a specialist in operations, technology and regulation. She works with a range of asset managers and asset owners on strategy definition, new operating model design, technology and service provider selection, transformation and change.

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