



An ESG Client Reporting Partnership: Facing Your 3 Key Challenges Together

Whitepaper - May 2023

We want to simplify reporting, and we therefore offer an automated solution to produce visually engaging Environmental, Social and Governance (ESG) client reporting that is both scalable and flexible.

2022 was a challenging year in many regards, and the high inflation rates, global political unrest, growing inequality and uncertainty continue to have significant impacts in 2023 as well. The same is true for ESG regulation which is becoming increasingly strict year on year, and a number of key regulatory milestones (such as for SFDR and TCFD) must be met in 2023. We have been discussing ESG regulation with our prospects and clients for a number of years, and we therefore fully understand the variety of challenges facing asset and wealth managers across the industry.

On top of tough regulatory requirements, we are also seeing an ever-growing demand from both asset owners and retail investors for ESG information and data. Investors – and especially the younger generations – increasingly want to understand how their investments impact the world as well as how the changing environmental and political climates could impact their portfolios in the future.

It is therefore key for asset and wealth managers to have informative and easily assessable ESG client reporting in place. Many institutions do in fact offer excellent ESG reports to their clients, although they tend to be glossy, annualised reports produced at a corporate level rather than tailored for each individual client, and they are manually created and/or constructed on an ad hoc basis. This is of course immensely time consuming and resource demanding, and it can be overwhelming to meet the constant demand from clients for ESG information and data.

We fully understand these challenges and have therefore created a flexible solution that offers more than reporting technology: a partnership with you to meet the ever-growing demand for ESG client reporting with consideration for 3 key points:



1. As mentioned, **you need more than technology**. We know what is market baseline vs. market leading, and we can advise on what information to report according to investors' expectations and data availability
2. **It's time to take action**, and we understand how critical it is for your ESG client reporting to show progress and action over time rather than simply reporting data and metrics
3. The ESG space is **going through constant change** and so will your ESG reporting. We understand the need to constantly develop your reporting, and this is straight-forward with our flexible and scalable solution

Each of these points is explained in further detail below.

1. More Than Technology

Our clients often face two significant challenges when it comes to creating scalable ESG client reporting:

1. Understanding what an ESG client report should contain in terms of data and information
2. Finding the right technological solution

Opus Nebula is well positioned to provide guidance on what investors expect to see in an ESG client report, and we know what is required to meet market baseline vs. becoming market leaders within this space.

In addition, there have always been questions, concerns and discussions around the accessibility, coverage and validity of ESG data, and this is expected to continue until a new best of breed standard emerges in order to better align vendors and their methodologies. The reporting requirements under SFDR have highlighted the significant challenges to obtaining certain ESG data points, and it has put a lot of pressure on companies to expand the amount of data they collect, review and report.

It is therefore important to consider data accessibility and coverage when creating ESG client reports, and we have established a good understanding of the challenges around obtaining and regularly reporting certain data points. This also includes awareness of the data you can expect to obtain across different asset classes. It is commonly known that significantly more data exists for the public asset classes, whereas data availability for the private asset classes largely depends on the industry and the type of data required.

Once the data and information to be reported in your ESG client reports has been decided upon, it is key to demonstrate how this information has been utilised to take action and consider how progress over time can be reported in a visual and engaging manner.

You need to inform your audience – without lots of manual processes. It is key that reporting is automated and timely, and that the system has sufficient flexibility to produce the required outputs, that are clear, tangible and informative. Older, less flexible reporting systems struggle to produce the visually engaging outputs. Modern, flexible solutions, like Reporting as a Service, easily accommodate this.



2. It's Time to Take Action

Over recent years, ESG client reporting has developed from simply reporting data to focusing on; progress, changes over time and the actions taken based on the ESG information obtained. The UK Stewardship Code 2020 significantly contributed to this change, and it requires signatories to report on milestones they have set for their investee companies, progress made (and whether this was positive or negative), actions taken based on the progress (or lack thereof) as well as any areas for further development. This change is also evidenced through the requirement to report timeseries data under SFDR to demonstrate how metrics have changed over time.

The change in focus makes a lot of sense, and it goes hand in hand with the public's demand for action. Investors want to see progress within their ESG client reporting, and they want to understand the reasoning behind why their manager has, for example, increased or decreased a holding in the context of the ESG information available.

To be able to take action and clearly understand the impact investments have on the world, it is key for ESG data and information to be reported in a visual, engaging and tangible manner. This is very different to the expectations investors have for traditional

client reporting, but it has quickly become the norm throughout the industry. The reason why ESG information is often reported in a different format to traditional financial information is potentially due to many investors being less familiar with ESG terms and measures. Furthermore, it can be difficult for most people to picture what a reduction of a certain number of, for example, tons of CO2 emissions really means for the world, and it might therefore be helpful to communicate this amount as number of cars off the road instead. This is what we mean by the information being 'tangible' and informative.

As the public and investors are increasingly demanding more change from companies and governments, their expectations and requirements for ESG client reporting change as well. It is therefore important to have a solution in place that allows for the constant development and on-going evolution of your reporting.

If you are already struggling with your existing systems and processes, this will only get worse as your clients demand more informative and more timely ESG reporting.



3. Meeting the Need for Constant Change

The format, content and requirements of ESG client reporting are likely to keep changing and developing in the future, and our solution at Opus Nebula accommodates this. Our approach to reporting is based on the idea that it needs to be simple to implement, scalable and easy to enhance as needs develop over time – and this is exactly what you need when it comes to ESG client reporting.

It is impressive to look back on the significant changes that have taken place in the world of ESG reporting over just the past few years, and it is therefore crucial that asset and wealth managers do not implement a rigid reporting solution, as we expect to see further developments in the future as well. ESG reporting is an ever-evolving space, and it is therefore imperative that technology solutions are nimble and do not act as obstacles to meeting (or exceeding) clients' growing demands for ESG information.



ESG client reporting is challenging for a number of reasons, and we have highlighted some of these above. At Opus Nebula we have taken these challenges into consideration in our service offering, and this provides our clients with a significantly smoother experience that allows for the constant development we see within this space.

If you would like to discuss your challenges or thoughts around ESG client reporting further with us, please reach out to andrew.sherlock@opus-nebula.com. We look forward to speaking with you!

Terms Explained:

ESG investment = An investment approach concerned with how ESG issues can impact the long-term return of assets and securities¹

Responsible investment = An investment approach that involves considering environmental, social and governance (ESG) issues when making investment decisions and influencing companies or assets (known as active ownership or stewardship)²

Sustainable investment = An investment approach focused on the selection of assets that contribute in some way to a sustainable economy¹

Sources:

1. Simonek, C. (2020). Chapter 1. In Certificate in ESG Investing Official Training Manual (Edition 2, pp. 3–51). chapter, CFA Institute.
2. What is responsible investment? PRI. (2019, September 5). Retrieved April 12, 2023, from <https://www.unpri.org/introductory-guides-to-responsible-investment/what-is-responsible-investment/4780.article>

Reporting as a Service®

Opus Nebula solution

We believe that investment firms should have access to the very best client reporting solution available to provide complete, accurate, timely and tailored reporting to their clients. But firms no longer need to build and host the system themselves.

Opus Nebula's Reporting as a Service® solution provides a complete end-to-end and pre-built client reporting solution to wealth and asset management firms, family offices and hedge funds. The cloud-based solution enables firms of all sizes including smaller and medium sized investment firms to provide world-class reporting to their clients in an efficient and affordable basis.

The Reporting as a Service solution integrates easily with golden data sources, and simple user dashboards control the report preparation, production and publication processes.

All completed reports and their full audit trail are automatically stored in the document library for future reference.

For more information about Opus Nebula, please visit: www.opus-nebula.com

Enquiries regarding this paper should be addressed to:

Andrew Sherlock, CEO, Opus Nebula, +44 (0)20 3239 7208, andrew.sherlock@opus-nebula.com

