

DIGITAL ESG REPORTING TOOL FOR ASSET MANAGEMENT FIRMS

CONTEXT

Environmental, Social and Governance (ESG) investing has taken the center stage in finance with investors increasingly seeking out sustainable investment strategies. Broadly, these factors measure the sustainability and ethical impact of an investment and covers a broad range of factors from climate change, waste pollution, human rights, data security and business ethics. Asset managers (AMs) have since responded by incorporating ESG factors within their strategies to align with investor and societal needs and to achieve better investment outcomes, balancing ESG analysis requirements with traditional risk and reward factor considerations.

Despite calls to have greater clarity and knowledge in terms of ESG stewardship and reporting, the market is still in the process of agreeing common definitions, and ESG criteria, disclosure and reporting requirements are globally fragmented. While central banks such as the Monetary Authority of Singapore (MAS) have issued proposed guidelines on Environmental Risk Management¹, asset managers still face multiple challenges in their sustainability reporting, including:

- **Varying Regulatory Requirements** – With regulatory requirements for ESG varying from one country to another, asset management firms often have dedicated teams working closely with the local government bodies to keep abreast of any regulatory changes. This is largely a manual process requiring much time and local knowledge. Finding local specialists can be a challenge, especially for smaller, niche markets.
- **Lack of Unified Global Standards** – With ESG's rising popularity among investors, regulatory bodies, corporates and investors are constantly updating frameworks and guidelines for ESG reporting. This process results generates further ambiguity which is difficult for AMs whom are under already pressure to deliver under current, various reporting requirements by stakeholders.
- **Wide range of ESG factors** – With the wide range of possible ESG factors, AMs need to work with various expert teams to understand each portfolio's sustainable funds flow. Without a centralised system to consolidate and streamline the information and requirements, AMs have poor visibility on what is needed and have to invest much time manually coordinating across different teams to seek clarifications before quickly turning around the required reports.

Hence, there is interest to create a digital solution for asset management firms to consolidate and manage the relevant data and regulatory reporting requirements for more efficient and effective measure of the sustainable funds flow for AM's clients. This allows asset management firms to embed ESG as part of their strategy and business model, as well as in their day-to-day systems, processes and risk management, supporting the global transition to a net zero economy for a more sustainable future for all.

¹ <https://www.mas.gov.sg/regulation/guidelines/guidelines-on-environmental-risk-management>

This challenge is supported by a partnership between the Investment Management Association of Singapore (IMAS) and BlackRock. IMAS is the representative body and sector lead for the investment and fund management industry in Singapore. BlackRock is one of the leading global asset management firms and believes that climate risk is investment risk and strongly supports moving to a single global sustainability disclosure standard, which will enable investors to make more informed decisions about how to achieve durable long-term returns.²

PROBLEM STATEMENT

How can we have consistent and up-to-date measurements of ESG standards and requirements to better equip asset managers to – visibly and with impact – incorporate ESG considerations in to investment programs and portfolios?

WHAT ARE WE LOOKING FOR?

A working prototype solution that can support asset managers to effectively manage sustainable investment considerations, which should include one or more of the following features:

- **Automated Data Gathering** – Automatically collect data from various sources (e.g. government sites, internal inputs from government relations teams) on changes in the reporting requirements and adjust respective templates.
- **Easy Search and Retrieval Library** – Collective memory of the collected data and requirements on the respective ESG factors and jurisdiction, for easy search and retrieval by asset managers as needed. Asset managers should be able to easily categorise, submit queries and retrieve the necessary data as required.
- **Digital Reporting** – Based on the submitted query on specific ESG funds, collate the relevant data from the data library to generate the customised reports. This report should allow asset managers to manually input and edit information as required
- **Digital Collaboration** – An automated workflow management system to help asset managers co-ordinate data exchange, verifications and request for approvals with internal stakeholders as needed.
- **Sentiment Analysis** – It would be ideal if in the automated data gathering process, the solution could also analyse social media and news content to predict sustainability trends and key areas of interest.

There are no restrictions on the geographical location of the problem solvers who may choose to apply to this challenge. However, the POC/prototype must be demonstrated in Singapore.

POSSIBLE USE CASES

1. **Regulatory Requirements Changes** – Thomas is part of the Government Relations team. He monitors and co-ordinates with various teams on the changes, updating regulatory requirements globally. One of the countries where the firm is operating has issued a new reporting regulation that will take place in 12 months. The solution should automatically detect the official data issued by the respective government agency and notifies the

² <https://www.blackrock.com/sg/en/2021-larry-fink-ceo-letter>

relevant governance team with suggested tweaks to the report template. Upon approval from the relevant colleague, this new information and template change is updated through the solution. Hence, asset managers are automatically kept abreast of the new changes when they log into the system and no longer requires manual interfacing by Thomas on a 1-to-1 basis. This saves much research and co-ordination time, as well as ensures that information on smaller niche markets with less manpower resources are sufficiently covered.

2. **Portfolio Risk Analysis** – Carol is an asset manager and is expected to regularly monitor and update the various portfolio risks and returns. Using the solution, Carol can easily retrieve information on the relevant ESG data and regulatory changes. She no longer needs to co-ordinate with multiple internal teams to put together the portfolio risk report and has more time to spend on higher value tasks. Carol can provide timely insights & updates to her clients and can also spend more time optimising the portfolio risk & returns based on gathered information.

WHAT'S IN IT FOR YOU

- SGD 20,000 of prize money for each winner of this challenge (see Award Model)
- Gain access to IMDA's Technology resources and facility for prototyping
- Collaborate with IMAS (Investment Management Association of Singapore) to reach out to the greater community for exposure, refinement and deployment
- Opportunity to pitch to industry audience in IMAS Digital Events
(For more information, visit www.imasdap.com)

EVALUATION CRITERIA

The Applicants shall be evaluated in accordance with the evaluation criteria set out below.

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| Solution Fit | <ul style="list-style-type: none">• To what extent does the proposed solution address the problem statement effectively? |
| Solution Readiness | <ul style="list-style-type: none">• How ready is the proposed solution to go to the market?• Is there any evidence to suggest capacity to scale? |
| Solution Advantage | <ul style="list-style-type: none">• Is the solution cost effective and truly innovative?• Does it make use of new technologies in the market, and can it potentially generate new IP?• What are the top 3 key benefits will the solution bring to the Asset Management industry? <p><u>Optional</u></p> <ul style="list-style-type: none">• To share estimated cost for pilot trial, deployment and software support. |

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| Company Profile | <ul style="list-style-type: none">• Does the product have user and revenue traction?• Do the team members possess strong scientific/technical background and when is the company founded?• Does the team have relevant clients/ use cases?• Does the team have plans to grow and propagate the solution in Singapore? |
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AWARD MODEL

30% of the prize money will be awarded to each selected finalist at the start of the POC/prototype development process, with the remainder 70% to be awarded after completion of the POC/prototype solution, based on milestones agreed between Problem Owner(s) and the solver. Prize money will be inclusive of any applicable taxes and duties that any of the parties may incur.

Note that a finalist who is selected to undertake the prototype development process will be required to:

- Enter into an agreement with Problem Owner(s) that will include more detailed conditions pertaining to the prototype development;
- Complete an application form with IMDA that will require more financial and other related documents for the co-funding support.

Teams with public research performers are required to seek an endorsement from their respective innovation and enterprise office, and submit the attached IEO form together with the proposal.

DEADLINE

All submissions must be made by **19th March 2021, 1600 hours (SGT/GMT +8)**. Problem Owner(s) and IMDA may extend the deadline of the submission at their discretion. Late submissions on the OIP, or submissions via GeBIZ, will not be considered.