



# The Role of Technology in Navigating Complex ESG Requirements

By Lindsay Thompson, Director, Head of EMEA Client Success – SS&C Eze

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**Q. What are the main challenges facing fund managers managing ESG strategies and what do they need to do to address them?**

Sustainable investing has been one of the fastest-growing asset management trends in the last few years. As a result, managing ESG strategies is no longer about simple restrictions; it’s evolved from an informal goal into a more complex criterion rooted in investment strategies. Nevertheless, many fund managers still find managing their ESG mandates tedious, time-consuming, and requiring hands-on management.

Portfolio managers and analysts churning extensive data sets from different sources and vendors to devise proper weightings can be costly and inefficient. The best way to alleviate this is to integrate your ESG data source of choice into your order management

system. A competent OMS should have a vendor-neutral architecture so you can connect with any data source and be able to automate data unification, whether third-party or internal. This will enable you to speed up ESG implementation and produce results.

Another challenge is the lack of standardization in the industry regarding reporting frameworks. Generating accurate investor reports and navigating complex compliance rules can prove difficult if fund managers don’t have the right technology to automate and simplify the process. Even by aggregating the most crucial ESG data, without fully integrated pre- and post-trade compliance, funds promising any level of ESG mandates can find themselves over or underexposed and trading non-compliant securities.

Investors are looking for ESG transparency. As a result, firms are under tremendous pressure to find



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Lindsay joined SS&C Eze in 2012. Before leading the Client Success team in London, she worked in Boston and New York as a Senior Business Consultant focusing on Eze Investment Suite implementations. She later held the role of Associate Director, EMEA Client Solutions, during which she helped implement a new client service model and led a team of 20 client service professionals in the day-to-day support of global Eze Investment Suite clients.

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technology to help them better monitor and report on portfolio-level ESG exposure. SS&C recently launched ESG Reporting Solutions, allowing portfolio managers to understand ESG exposure in portfolios and support investor reporting. Technology plays an integral part in helping improve the management of ESG mandates, which can help firms get ahead of investor demands and the competition.

**Q. What features should fund managers be looking out for from their technology provider?**

Whether you manage a single ESG fund or apply ESG criteria across your universe of portfolios, your order management system should enable simplified workflows and controls.

Modeling and analytics tools enable portfolio managers to monitor, manage, and track specific ESG metrics relevant to portfolios. For example, look for a platform to let you slice and dice your portfolio by ESG rating or simulate changes in a portfolio to see how they impact exposures.

With multiple sources providing ESG scoring data, your system must connect to third parties and load this data consistently and seamlessly across the enterprise. Additionally, unique custom fields at the security level allow additional flexibility when integrating data into the system.

A flexible compliance engine is a prerequisite if you want to effectively automate pre-and post-trade processes and gain holistic control of your ESG operations. Your system should make it straightforward to track and compare benchmarks and perform complex calculations within a portfolio, in addition to restricting specific securities. You should be able to monitor data in real-time proactively and receive critical rule violations notifications, market creep, and security master data changes. Additionally, an integrated, intuitive rule builder

should create custom rules based on ESG criteria at the portfolio, fund, and account level. Creating compliance rules on your ESG data should automate labor-intensive workflows and remove manager discretion risk, allowing your portfolio managers to concentrate on alpha-generating tasks.

At SS&C, we pride ourselves on our client service and expertise. Leveraging an experienced, personalized client service team with deep knowledge of your operational workflows will undoubtedly make for a smoother transition to ESG-conscious investing.

**Q. What is your outlook for the future of ESG investing?**

Changing demographics, an increasingly competitive landscape, deeper insight into companies' social responsibility strategy and better access to data have led to a growing affinity for ESG-conscious firms. As a result, ESG is a trend that will continue to gain pace for investors of all sizes in the years ahead.

Fund managers who are not currently employing ESG strategies may want to consider how their technology can support ESG-focused operations. Managers using ESG strategies are likely to see increased interest. As a result, they should think about reassessing the technology they currently operate on to ensure it is as effective and efficient as possible.

Partnering with the right technology vendor who understands your business, has experience implementing various ESG principles, centralizing internal and third-party data, and puts compliance first will be the key to success.

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