

# And the survey says...

## How can tech make sense of the alphabet soup of ESG frameworks?

**S**ASB, GRI, SBT, CDP, TCFD, UNPRI, SDGs, SFDR... the litany of ESG reporting frameworks fund managers are currently being asked to adopt reads like an alphabet soup. On top of these attempts to standardise ESG reportings, individual LPs have their own set of ESG questionnaires for managers to tackle.

With managers being required to collect and report on such a vast array of ESG data points across a range of varied formats - can tech support these efforts, make the process more efficient and even provide actionable insights?

"It really is the wild west of ESG regulation and standardisation," observes Allan Parks, Allvue System's product manager of PE/VC portfolio monitoring. "It's a dynamic environment right now, so managers really need a flexible solution that can help them."

### Data collection

In order to respond or adhere to any questionnaire or framework, first managers need to collect specific data points in a systematic and efficient manner. "There can be a lot of different questions that managers are being asked, we are seeing some narrowing with more LPs adopting ILPA's framework, but I would encourage GPs to think about solving ESG data collection for the long term," advises Parks.

Indeed, while there are hopes that ESG reporting frameworks will at one point coalesce around one standard approach, new regulations

across various jurisdictions continue to come into play, which will likely mean managers needing to adopt new forms of reporting and compliance.

Against this backdrop, powerful data collection is key to keeping up. "Having an easy way to collect data makes handling the disparate nature of questions much easier. Customised surveys that speak to various industries enables this," explains Parks.

### Satisfaction survey

In order to use surveys for ESG data collection, Parks says they must be set up correctly to begin with to ensure ease of use and allow for automation. "Even though many GPs view KPI collection and analysis as part of their value creation activities, if it becomes too burdensome to gather the data, and then to collate and analyse it, that could end up destroying value, so the tech has to eliminate that risk."

Survey technology allows managers to generate specific questions that align to specific portfolio companies, investment objectives, frameworks and LP requirements. "You can ask for quantitative data on portfolio companies, such as the percentage of gender diversity on a board," says Parks.

Not only can surveys be tailored to specific industries, but also to the maturity of a company. "You can think about what each stage of maturity looks like, which can all be part of a master survey. But the ability to easily tailor and configure the questions can facilitate and make this process much easier, for both the portfolio

companies and for the GP, so they're not wading through blank pages or 'NA' responses; they can immediately eliminate that manual process

And that can be across all of the E, S, and G criteria," explains Parks.

Most importantly, once the survey has been customised, it can then be repeated. "You can use it during due diligence and then on a quarterly or annual basis to track progression. That's where real efficiency can come in," says Parks.

### Point of differentiation

According to Parks, 80% of LPs say how a GP deals with ESG is a point of differentiation. "So if a GP can not only respond to an investors' ESG questionnaire, but also showcase how they are assessing portfolio companies by industry, maturity, by company, that's of real value to the LP. Not only is the GP collecting high level information, but also it can dig down into the granularity between industries and maturity of the underlying PortCo."

Another advantage of using customizable surveys for ESG data collection is how it impacts the workload at the GP. There are big question marks over who is responsible for ESG data collection and analysis within a GP, and this becomes increasingly tricky when it comes to ESG data. Says Parks, "Surveys not only automate the work, but it assigns the workflow. So if it's for the deal team or the finance team, emails are sent out automatically." The data can then flow directly back into the CRM system where it can be validated - meaning the work isn't left to one person to do it all manually. ♦