SCHOOL OF
ECONOMICS AND
MANAGEMENT

Build Sustainability of Data Sharing Based on Deep Learning in the ESG Environment

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20th May 2024

Contents

Abstract

Nowadays, businesses and investors are increasingly aware of the importance of environmental, social, and governance (ESG) factors. As public attention to ESG issues continues to grow, companies are facing pressure to be transparent about their ESG practices. Sharing this information is crucial for achieving ESG goals, building trust, promoting partnerships, and enhancing the company's position in society.

This article explores how deep learning techniques process and analyze ESG data, emphasizing the important role of ESG information in promoting sustainable investment and business practices. Exploring various deep learning techniques, such as K-nearest neighbor (KNN) models, to effectively process and evaluate the potential of ESG data[1]. The processing methods of deep learning can handle large and complex datasets, discover hidden patterns, and provide more accurate analysis to help businesses and investors make wise decisions[2].

However, the combination of ESG data sharing and deep learning has also brought a series of challenges. These challenges include obtaining and integrating ESG data, as well as interpreting and trusting the complexity of deep learning models[3]. Despite these obstacles, integrating deep learning and data sharing brings new opportunities to achieve ESG goals. By utilizing these technologies, ESG data can be analyzed in depth and applied to drive businesses and society towards more sustainable development[4].

This study aims to explore how deep learning KNN models can efficiently handle complex ESG data, and then discuss how to build an effective ESG data sharing framework. Through relevant case studies, the importance of ESG data sharing is analyzed. Specifically, it aims to investigate how these models process and analyze a large amount of ESG related data, and share it with stakeholders to promote sustainable development for businesses and society[5]. In our study, we proposed comparing the KNN model with the ridge regression model to highlight the advantages of the KNN model in processing ESG data.

Keyword:ESG factors,Deep learning techniques,Sustainable investment,Data sharing,K-nearest neighbor (KNN) models,Effective data sharing framework,Sustainable development,Ridge regression model

1. Introduction

1.1 Research Significance and Background

In today's society, environmental, social and governance (ESG) issues have become the focus of attention for businesses and investors. ESG factors are becoming more important for companies' long-term value and how investors make decisions[6]. Mixing data sharing with deep learning brings new chances and difficulties in reaching ESG goals[3].

As ESG issues gain public attention, companies feel pressure to meet societal expectations and adopt sustainable practices. This means being open about ESG data with stakeholders. Sharing data is crucial for meeting ESG goals, as it helps companies earn trust and work together, improving their public image[4].

Deep learning advancements offer new ways to process and analyze ESG data. These models can handle big datasets, find hidden patterns, and give better analyses, benefiting businesses and investors[1]. Using deep learning, we can understand ESG data more thoroughly, which helps with business and investment decisions.

But blending data sharing with deep learning has challenges. ESG data can be hard to collect and combine since it comes from different sources and formats[3]. Also, training deep learning models needs a lot of documentation, and ESG models might not be consistent or good enough, which affects their accuracy[11]. Plus, high-level learning models can be hard to understand, needing more research and solutions[5].

In short, combining data sharing with deep learning brings new chances and challenges for ESG goals. With these tools, ESG data can be understood and used better. By moving personal and social economic development[2].

1.2 Research Purpose

The theme of this article is finding ways to use machine learning to create sustainable systems data from space, social and governance (ESG). In particular, the study will increasingly use the K-nearest neighbor (KNN) method to develop and analyze more information about ESG, and establish data sharing systems to promote the sustainable development of companies and society while protecting privacy and data security.

Our research will focus on key elements below:

Using the KNN method to process ESG data: We prefer to use the KNN method because it can directly use the measurement of the distance between existing standards to create or delay the time to deal with sensitive and large data that does not allow data distribution[1]. This allows for the benefit of working with a wide range of ESG data and distributed in a variety of ways. The insight and simplicity of KNN make it a good choice to analyze ESG data, especially in identifying and monitoring the company's ESG operations[6].

Designing a data sharing framework: This study aims to design an ESG data sharing framework that can facilitate data sharing while protecting data privacy and security. The design of the framework does not include specific model analysis, but focuses on establishing effective mechanisms for managing and controlling data flow and permeation, and ensuring a balance between data transparency and security. Use case studies to show how data sharing framework can effectively manage ESG data while ensuring data privacy and security[7]. Better understand and demonstrate how to support the Sustainable Development Goals of your company and society while ensuring data security and privacy. This approach not only helps establish trust in data-sharing frameworks between businesses and society, but also promotes wider sustainable practice and cooperation.

Analysis of the relationship between ESG data and investment performance. Using the KNN model, the relationship between ESG assessment and investment financial activity was analyzed, the business value and predictive ability of ESG data was tested. This analysis helps to support other scientific decisions and reveals how ESG factors affect the long-term financial performance of companies and investors[8].

Through this study, we hope to create a comprehensive framework that not only improves efficiency Only the process and accuracy of ESG data analysis but will also promote sharing and calendar use Overall ESG data, failing to protect privacy and data security. This will provide companies with strong tools to support youth Their sustainable development strategies, while contributing to the sustainable development of the wider community.

1.3 Research Significance

The Importance of Deep Learning KNN Models in Processing ESG Data:

The Deep Learning Model has a unique advantage in processing environmental, social and governance (ESG) data, as it can automatically learn invisible representations of data, identify possible patterns, and identify consistency within the data. Deep learning models, especially through the nearest neighbor model of KNN[5], can analyze ESG data and be understood more accurately and comprehensively, providing further support for scientific decisions for businesses and investors[1]. The ingenuity and simplicity of the KNN model makes it a good choice for data analysis, especially in quickly identifying similar associations and predicting ESG performance[6].

Promoting sustainable development of ESG data sharing:

Creating an ESG image sharing system based on internal learning demonstrations will help strengthen the distribution and distribution of ESG information, developing access and using the information[4]. In support of sharing ESG information, a system of wise and secure information, which is ESG, can be used. It supports the distribution and use of information, which result in general ESG. Human development can be promoted.

Optimizing sustainable decision-making for businesses and society:

Using deep learning models can help companies and investors assess the impact of ESG experience on the long-term value of the company, improving decisions and plans[7]. Using in-depth advisory models in designing and analyzing ESG information, confidential information and potential strategies, provides comprehensive and reliable information about companies and investors, and helps them develop consistent growth strategies.

Improve the efficiency and effectiveness of ESG data processing:

The efficient processing ability and excellent learning ability of deep learning models help improve the efficiency and effectiveness of ESG data processing[5]. By using deep learning models to process ESG data, patterns and patterns in the data can be discovered faster, the cost and complexity of data processing can be reduced, and the accuracy and reliability of data analysis can be improved, thereby promoting the sustainable development of ESG data processing.

Promoting innovation and development in the ESG field:

The continuous development and application of deep learning models has brought new opportunities and opportunities for innovation and development in ESG. Through the application of deep learning models, new information and insights in ESG data can be explored and discovered, which promotes innovation and development in the ESG field and drives companies and society to develop in a more sustainable direction[1].

2. Literature Review

I systematically integrated the research methods and findings of multiple literature, which provided key support for my research in different aspects.

Hiroshi Yamashiro and Hirobumi Nodaka (2022) discussed the challenges in ESG data collection and improved predictive models through deep learning, particularly in the efficient integration of diverse data streams[9]. Their method provides an effective means to overcome difficulties in data collection. In my research, I applied their techniques to optimize the integration and processing of ESG data streams, improving the accuracy of prediction models. Martin and Reza's (2022) research focuses on using deep learning for real-time analysis of ESG data, demonstrating its ability to quickly process large amounts of data, thereby enhancing the decision-making process for sustainable investment[10]. I adopted their approach in my paper to demonstrate the effectiveness of real-time ESG data processing to support timely and informed investment decisions. Sahu et al. (2021) provided a detailed description of the application of deep learning in sustainable manufacturing, showcasing models and practical applications in different industries[11]. These models provide a practical foundation for my research, and I drew on their models to demonstrate the multifunctionality of deep learning in ESG data analysis and its potential in promoting sustainable development.

White and Kumar (2021) introduced the use of natural language processing (NLP) techniques to protect the privacy of sensitive information in ESG reports[12], which are crucial in my research. I applied their NLP technology to ensure the confidentiality and integrity of ESG data during the analysis process, and to address ethical and privacy issues in data sharing. Taylor and Ling (2023) introduced secure computing techniques for protecting ESG data, ensuring the security of data during deep learning processes[13]. I adopted their security calculation method in my research to reduce security risks and ensure that ESG data is fully protected during the analysis process. White and Heckman (2023) suggest using blockchain technology to address trust issues in data sharing networks, proposing the establishment of decentralized ledgers to maintain the integrity and verifiability of ESG data[14]. I explored the feasibility of integrating blockchain technology into ESG data sharing frameworks to ensure data integrity and validation.

Rodriguez and Hussain (2022) studied the role of AI in promoting corporate social responsibility (CSR) initiatives while ensuring ethical data sharing practices[15]. Their insights are used to guide ethical considerations in my research framework, ensuring the accountability and sustainability of ESG data sharing practices. Scully and Mulder (2021) discussed the ethical impact of using AI in ESG data processing, emphasizing the importance of accuracy and privacy[16]. I have incorporated their ethical guidelines to ensure that research respects data privacy and maintains high accuracy standards. Gonzalez and Schmidt (2021) studied the impact of the General Data Protection Regulations (GDPR) on ESG data practices in Europe, emphasizing the importance of complying with legal standards[17]. I utilized their findings to guide the legal compliance of data sharing frameworks and ensure that the proposed methods comply with relevant regulations.

Morse and Khan (2020) delved into the opportunities and challenges of integrating AI technology into sustainable finance, particularly in the use of ESG data[18]. I utilized their insights to address the challenges of AI system expansion and standardized data formats. Vinuesa and Sirmacek's (2021) study emphasizes the role of explanatory AI models in achieving sustainable development goals, highlighting the importance of transparency and actionable insights[19]. I combined their suggestions and developed an explanatory AI model that provides clear and actionable insights for ESG data analysis. Anderson and Zion (2022) explored methods for collaborative ESG data analysis using secure multi-party computing techniques, which have the potential to protect data privacy[20]. I integrated their technology to ensure privacy protection in data analysis.

Through the comprehensive application of research methods, findings, and insights from these literature, my paper aims to promote the understanding and implementation of deep learning in ESG data sharing practices, ultimately contributing to the sustainability and effectiveness of ESG plans in the financial and investment fields. Specifically, I improve the accuracy of predictive models by optimizing data collection and integration techniques; Adopting appropriate data processing methods to support timely decision-making; Discussed the contributions of privacy protection and secure computing technologies to data sharing after ESG data processing, ensuring data security; Explore the application of blockchain technology to enhance the credibility of data sharing; And combined with interpretive AI models, provide transparent and actionable analysis results.

3. The Application of Deep Learning Models in ESG

3.1 The Basic Principles of K-Nearest Neighbor (KNN) Model in Data Processing

In the in-depth study of how the K-nearest neighbor (KNN) model handles environmental, social, and governance (ESG) data, the KNN model is an instance based learning algorithm that does not rely on explicit training steps, but rather classifies or predicts data points by measuring the distance between them. Due to its real-time and dynamic nature, the KNN model is very suitable for handling constantly changing and updating ESG data.

The basic structure of the KNN model:

The core of the KNN model lies in its proximity principle, which works by evaluating the distance between data points[21]. In ESG data analysis, when it is necessary to evaluate a new data point (such as the ESG performance of a company), the KNN model identifies the neighbors closest to the data point in the dataset, and then makes predictions based on the known performance of these neighbors. The intuitive aspect of this method is that new data points are evaluated based on their most similar existing data points.

Selection of distance measurement methods:

Choosing an appropriate distance measurement method is crucial for KNN models as it directly affects the evaluation of similarity between data points[22]. Common distance measurement methods include:
Euclidean Distance: The most commonly used distance measurement method, which calculates the straight-line distance between two points in multidimensional space. Suitable for most situations, but normalization is required for data of different dimensions.
Manhattan Distance: calculates the total distance between two points on each coordinate axis, suitable for high-dimensional data and discrete data.
Chebyshev Distance: calculates the maximum distance between two points on any coordinate axis, suitable for situations where the maximum difference needs to be considered.
In ESG data analysis, accurate distance measurement ensures that the model can correctly understand the complex relationships between different environmental, social, and governance factors[23]. For example, the difference between a company's environmental performance and social performance may manifest as a larger distance in the Euclidean distance and a smaller distance in the Manhattan distance, making it crucial to choose an appropriate distance measurement method.

Selection of the number of neighbors K:

The number of neighbors K significantly affects the accuracy and generalization ability of the model. A too small K value can cause the model to be overly sensitive to outliers, thereby reducing prediction accuracy; A large K value may lead to the model being overly generalized and unable to capture subtle differences in the data[24]. This impact is particularly significant when ESG indicators are different.
Determining the optimal K value through cross validation is an effective method to improve the predictive performance of the model[25]. Cross validation helps determine a balanced K value by testing model performance on different subsets, making the model neither overfitting nor overgeneralization. For example, when evaluating the governance performance of a new company, the best K value selected through cross validation can more accurately predict its performance.

The importance of data preprocessing:

Proper data preprocessing is crucial before applying the KNN model to ESG data. Due to the fact that ESG data typically spans multiple dimensions, the size and distribution of different features may vary. Therefore, preprocessing steps such as feature normalization or standardization are necessary. These steps can adjust the range of values for all features to a relatively uniform scale, avoiding unnecessary effects of certain features on distance measurement.
For example, if a company's rating range for environmental performance is 0 to 100

and for social performance is 0 to 10, directly calculating the Euclidean distance would result in environmental performance having a much greater impact on distance measurement than social performance. By normalizing all features to the same range, it can ensure that the contribution of each feature to distance measurement is fair, thereby improving the overall performance of the model[26].

In summary, the KNN model needs to carefully select appropriate distance measurement methods, optimize the number of neighbors K value, and perform necessary data preprocessing when processing ESG data. The comprehensive application of these steps can significantly improve the predictive accuracy and generalization ability of the model, thereby better supporting ESG data analysis and decision-making.

3.2 ESG Data Related Concepts

When we talk about ESG data, we're looking at three main things: environmental stuff, social stuff, and governance stuff. These help us figure out how well a company is doing in terms of being eco-friendly, socially responsible, and how it's managed[27]. Let's break down each of these dimensions and what they mean:

Environmental:
Environmental indicators look at how businesses affect the environment naturally, considering their activities and products' influence on the air, water, soil, and ecosystems[28]. Specific indicators include:
Carbon emissions: The direct and indirect greenhouse gas emissions of enterprises.
Energy use: The type and quantity of energy used by enterprises in production and operation, with particular attention to the proportion of renewable energy usage.
Water resource management: the water utilization efficiency and water resource protection measures of enterprises.
Waste treatment: strategies for reducing, recycling, and reusing waste.

Social:
Social indicators measure the impact of a company on human society, including the relationships between its employees, suppliers, customers, and the community in which it operates[29]. Specific indicators include:
Employee relations: working conditions, fair wages, employee health and safety.
Community impact: The impact of corporate activities on the local community, including community investment and development projects.
Product Responsibility: The safety, health impact, and protection of consumer rights of the product.
Supply chain management: The selection and management of suppliers, especially the requirements for social and environmental standards of suppliers.

Governance:

Governance indicators involve the evaluation of enterprise management structure, policies, practices, and compliance, ensuring transparency and accountability to stakeholders[30]. Specific indicators include:
Board structure and diversity: The diversity and independence of board members.
Senior management compensation: The compensation policy and incentive mechanism for senior management.
Audit and internal control: transparency of audit processes and effectiveness of internal controls.
Anti corruption and transparency: the implementation of anti-corruption policies and the transparency of company operations.

Importance：
ESG data is important for investors as it helps them understand a company's long-term value, especially in terms of sustainable development and social responsibility[31]. When a company does good with ESG stuff, it usually means less risk at work, doing well in the market, and making good money on investments. And these days, people care more about how a company does with ESG, which can really impact how people see the company and where it stands in the market[32].

3.3 The Advantages of KNN Models in ESG Data Processing and Analysis

When it comes to analyzing environmental, social, and governance (ESG) data, using deep learning models like the K-nearest neighbor (KNN) algorithm has its perks. It helps handle large amounts of data efficiently, especially common in ESG analysis[33]. KNN simplifies the process by finding nearest neighbors based on distance, which is great for ESG datasets with many variables and diverse data points[34]. Its simplicity allows it to spot patterns in large datasets quickly without needing extensive training or complex adjustments.

KNN also excels at handling complex relationships between variables commonly found in ESG data[35]. It doesn't need explicit modeling of interactions since it compares feature similarity using distance-based methods[36]. This feature allows KNN to capture multi-level interactions effectively, revealing insights linear models might miss.

Another advantage of KNN is its adaptability. It doesn't assume any specific data distribution, making it suitable for various ESG data types. This flexibility is crucial since ESG indicators can differ significantly between companies and industries, not adhering to standard distributions.

Moreover, KNN enhances predictive accuracy, especially with proper feature engineering and ESG data preprocessing. By comparing companies with similar characteristics, KNN can predict ESG performance accurately, offering valuable insights for investment decisions.

4. KNN Model Establishment and Result Analysis

4.1 Data Preparation and Processing

4.1.1 Data Introduction

In this paper, we used a comprehensive dataset provided by “Guotai” An Database, which includes detailed records about various investment funds. The dataset includes 110510 records, each representing different fund profiles across multiple attributes. This massive dataset includes 121 columns, including quantitative indicators and qualitative descriptions. This dataset played a crucial role in facilitating our analysis of the relationship between ESG scores and investment fund financial performance. Through rigorous data processing and analysis, including filtering, cleaning, and application statistical testing, we aim to reveal important patterns that can confirm the hypothesis that ESG data integration is beneficial for fund performance.

4.1.2 Research Objective

This study aims to explore and validate deep learning models, especially the effectiveness of the K-nearest neighbor (KNN) model in processing environmental, social, and governance (ESG) data, and its potential applications in data sharing frameworks.

4.1.3 Data Preparation

Firstly, we downloaded an Excel file containing fund information from the Guotai An Data website and merged these files. We can see the characteristics of each column in (Figure 1).

	Fund profile: Shareclass name	Fund profile: Ticker	Fund profile: Fund name	Fund profile: Asset manager	Fund profile: Shareclass type	Fund profile: Shareclass inception date	Fund profile: Category group	Fund profile: Sustainability mandate
0	1290 SmartBeta Equity A	TNBRX	1290 SmartBeta Equity Fund	1290 Funds	Open-end mutual fund	2014-11-12	International Equity Funds	Y
1	1290 SmartBeta Equity I	TNBRX	1290 SmartBeta Equity Fund	1290 Funds	Open-end mutual fund	2014-11-12	International Equity Funds	Y
2	1290 SmartBeta Equity R	TNBRX	1290 SmartBeta Equity Fund	1290 Funds	Open-end mutual fund	2014-11-12	International Equity Funds	Y
3	1290 SmartBeta Equity T	TNBRX	1290 SmartBeta Equity Fund	1290 Funds	Open-end mutual fund	2014-11-12	International Equity Funds	Y
4	13D Activist A	DDDCX	13D Activist Fund	13D Activist Fund	Open-end mutual fund	2011-12-28	U.S. Equity Fund	Y
5	13D Activist C	DDDCX	13D Activist Fund	13D Activist Fund	Open-end mutual fund	2012-12-11	U.S. Equity Fund	Y

We have a large number of columns (121) and rows (101407). The number of rows being significantly higher than the number of columns, that should help us avoid having too much bias in our model.

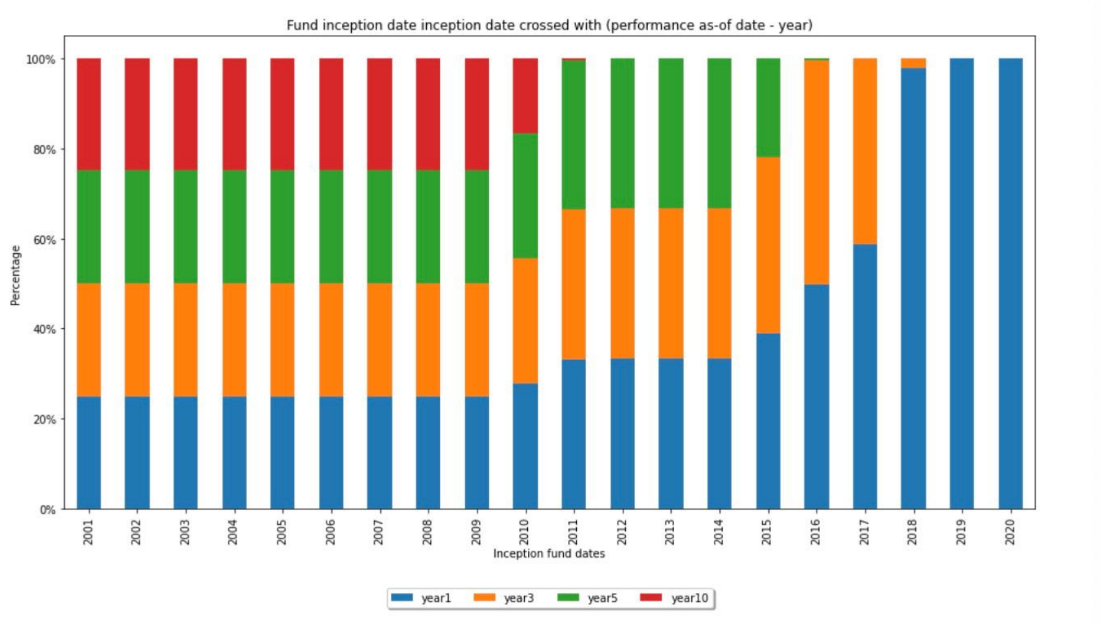
Next, in data cleaning, the integrity of the data is evaluated by calculating the proportion of non empty values in each column, which is the fill rate. If the filling rate of a column is below a predetermined threshold (such as 60%), it is considered that the data in that column is insufficient to support reliable statistical analysis, and therefore it is removed from the dataset, as shown in (Figure 2).

	fill_percent
Fund profile: Sustainability mandate	20.634332
Fund profile: US-SIF member	1.544657
Gender Equality Funds: Gender equality score (out of 100 points)	50.355624
Gender Equality Funds: Gender equality score, gender balance (out of 100 points)	50.355624
Gender Equality Funds: Gender equality score, gender policies (out of 100 points)	50.355624
Gender Equality Funds: Gender equality score - Overall score (out of 100 points)	49.409103
Gender Equality Funds: Gender equality score - Gender balance in leadership and workforce (out of 40 points)	49.409103
Gender Equality Funds: Gender equality score - Equal compensation and work life balance (out of 30 points)	49.409103
Gender Equality Funds: Gender equality score - Policies promoting gender equality (out of 20 points)	49.409103
Gender Equality Funds: Gender equality score - Commitment, transparency, and accountability (out of 10 points)	49.409103

In addition, in order to improve the readability of the data and facilitate subsequent processing, column names have been simplified or standardized. At the same time, duplicate records in the data were identified and removed, especially those that appeared in key columns such as fund names and dates. Finally, appropriate methods were used to fill in columns containing missing values. In this study, we used data from the previous day to fill in the gaps,Because this helps maintain the integrity, consistency, and reliability of the dataset, it is crucial for accurate analysis, robust model performance, and unbiased insights in ESG research.
Next,Our target column will be part of the group "Financial performance".
By the table below (Table 1), we select the target (among year 1,3,5,10) with the top fill-factor, that is "year 1".

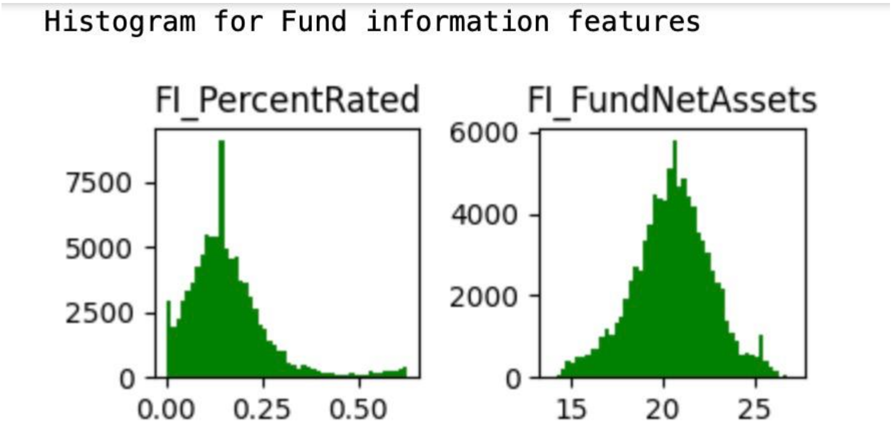
Financial Performance Description	Fill Percent (%)
Financial performance: Financial performance as-of date	99.994571
Financial performance: Month end trailing returns, year 1	98.060809
Financial performance: Month end trailing returns, year 3	93.609628
Financial performance: Month end trailing returns, year 5	87.360420
Financial performance: Month end trailing returns, year 10	73.973396

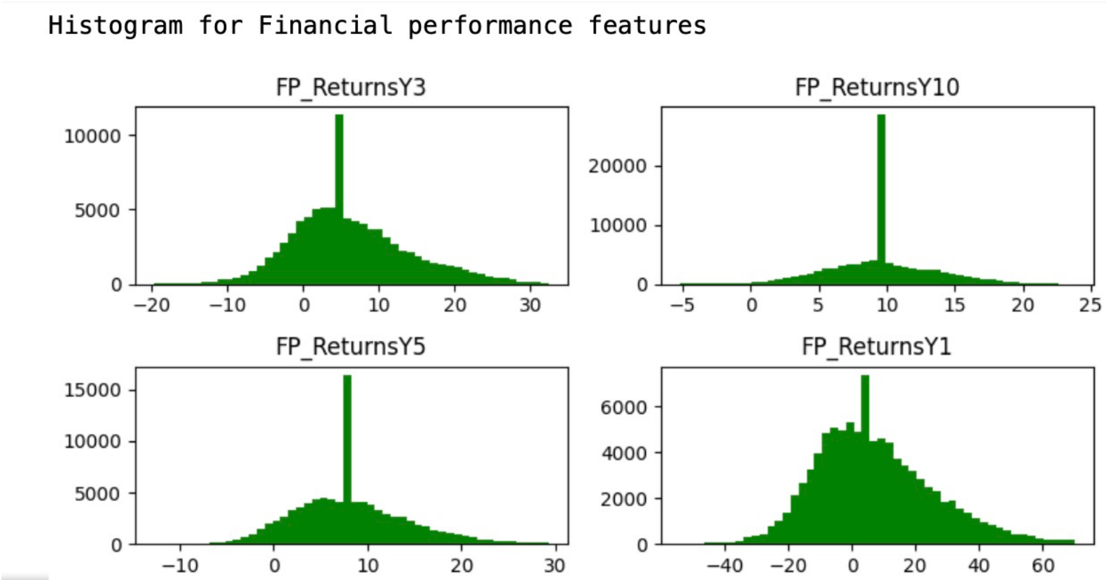
The "Financial performance: Month end trailing returns, year 1" is the most complete variable as a high percentage of funds have an inception date greater than 2 years (so performance for "year 1" is available) but less than 10 years (so no performance data available for "year 10").(Figure 3)



In the data preprocessing process, first, the data is grouped according to column categories, and then different mathematical transformations (such as power and logarithmic transformations) are applied to each category of data to improve the performance of the data's distribution properties.

After preprocessing, we can see the following data features(Figure 4)





Applying the Z-score method to identify and handle outliers in continuous variables to reduce noise and potential biases：

$$Z=\sigma(X-\mu) \tag{1}$$

To avoid multicollinearity issues, which is crucial for the stability and interpretability of the model.(Table 2)

	Deleted column	Correlation column	Correlation
0	F_Oil/GasIndustry_c	F_FossilFuelHoldings_c	0.952528
1	F_TotalEmissions1+2+3	F_TotalEmissions1+2	0.989819
2	W_MilitaryContractors_c	W_MilitaryWeapon_c	0.997888
3	W_MilitaryContractors_w	W_MilitaryWeapon_w	0.986072
4	W_MilitaryContractors_a	W_MilitaryWeapon_a	0.988714
5	P_BorderIndustry_c	P_AllFlagged_c	0.978158
6	P_BorderIndustry_a	P_AllFlagged_a	0.965269
7	W_MilitaryWeapon_a_isempty	W_MilitaryWeapon_w_isempty	1.000000
8	W_MilitaryContractors_w_isempty	W_MilitaryWeapon_w_isempty	0.985708
9	G_CivilianFirearm_a_isempty	G_CivilianFirearm_w_isempty	1.000000
10	D_RiskProducer_a_isempty	D_RiskProducer_w_isempty	1.000000
11	T_Tobacco-Promoting_w_isempty	T_Tobacco-Promoting_a_isempty	1.000000
12	F_30Coal-FiredUtilities_a_isempty	F_30Coal-FiredUtilities_w_isempty	1.000000
13	F_Oil/GasIndustry_w_isempty	F_Oil/GasIndustry_a_isempty	1.000000
14	F_Clean200_w_isempty	F_Clean200_a_isempty	1.000000
15	F_Fossil-FiredUtilities_a_isempty	F_Fossil-FiredUtilities_w_isempty	1.000000
16	P_BorderIndustry_w_isempty	P_BorderIndustry_a_isempty	1.000000

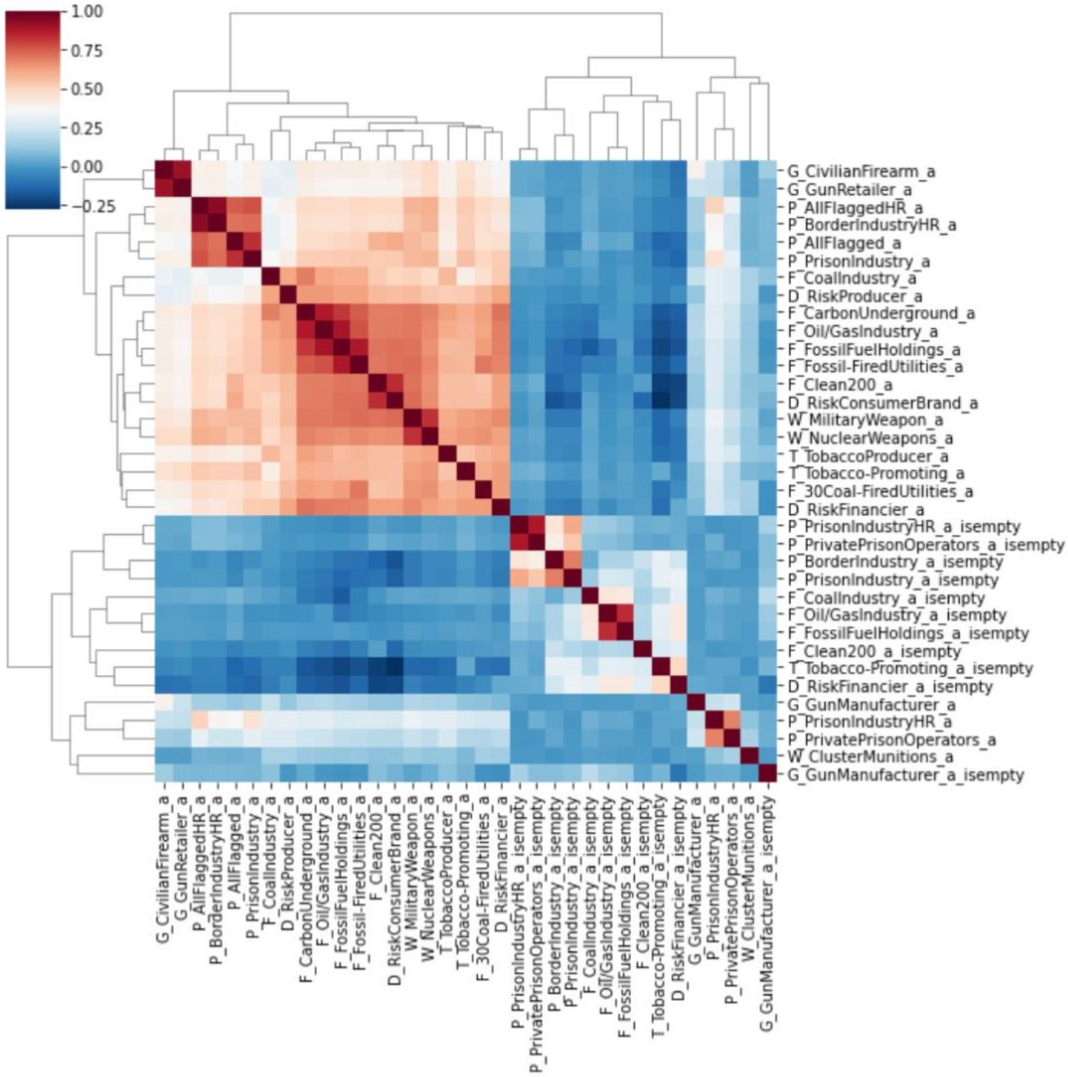
17	P_PrisonIndustryHR_w_isempty	P_PrisonIndustryHR_a_isempty	1.000000
18	W_ClusterMunitions_a_isempty	W_ClusterMunitions_w_isempty	1.000000
19	P_PrisonIndustry_w_isempty	P_PrisonIndustry_a_isempty	1.000000
20	F_CoalIndustry_w_isempty	F_CoalIndustry_a_isempty	1.000000
21	F_CarbonUnderground_a_isempty	F_CarbonUnderground_w_isempty	1.000000
22	T_TobaccoProducer_w_isempty	T_TobaccoGrade	0.951874
23	F_FossilFuelHoldings_w_isempty	F_FossilFuelHoldings_a_isempty	1.000000
24	D_RiskFinancier_w_isempty	D_RiskFinancier_a_isempty	1.000000
25	W_MilitaryContractors_a_isempty	W_MilitaryWeapon_w_isempty	0.985708
26	D_RiskConsumerBrand_a_isempty	D_RiskConsumerBrand_w_isempty	1.000000
27	G_GunManufacturer_w_isempty	G_GunManufacturer_a_isempty	1.000000
28	P_AllFlaggedHR_a_isempty	P_AllFlaggedHR_w_isempty	1.000000
29	G_GunRetailer_a_isempty	G_GunRetailer_w_isempty	1.000000
30	T_TobaccoProducer_a_isempty	T_TobaccoGrade	0.951874
31	P_BorderIndustryHR_a_isempty	P_BorderIndustryHR_w_isempty	1.000000
32	P_PrivatePrisonOperators_w_isempty	P_PrivatePrisonOperators_a_isempty	1.000000
33	P_AllFlagged_a_isempty	P_AllFlagged_w_isempty	1.000000
34	W_NuclearWeapons_a_isempty	W_NuclearWeapons_w_isempty	1.000000
35	F_FossilFuelHoldings_c_isempty	F_FossilFuelHoldings_a_isempty	1.000000
36	P_PrisonIndustry_c_isempty	P_PrisonIndustry_a_isempty	1.000000
37	F_CarbonUnderground_c_isempty	F_CarbonUnderground_w_isempty	1.000000
38	P_PrivatePrisonOperators_c_isempty	P_PrivatePrisonOperators_a_isempty	1.000000
39	F_CoalIndustry_c_isempty	F_CoalIndustry_a_isempty	1.000000
40	P_AllFlaggedHR_c_isempty	P_AllFlaggedHR_w_isempty	1.000000
41	P_AllFlagged_c_isempty	P_AllFlagged_w_isempty	1.000000
42	D_RiskConsumerBrand_c_isempty	D_RiskConsumerBrand_w_isempty	1.000000
43	G_GunManufacturer_c_isempty	G_GunManufacturer_a_isempty	1.000000
44	P_BorderIndustryHR_c_isempty	P_BorderIndustryHR_w_isempty	1.000000
45	D_RiskProducer_c_isempty	D_RiskProducer_w_isempty	1.000000
46	W_ClusterMunitions_c_isempty	W_ClusterMunitions_w_isempty	1.000000
47	W_MilitaryContractors_c_isempty	W_MilitaryWeapon_w_isempty	0.985708
48	F_Fossil-FiredUtilities_c_isempty	F_Fossil-FiredUtilities_w_isempty	1.000000
49	T_Tobacco-Promoting_c_isempty	T_Tobacco-Promoting_a_isempty	1.000000
50	W_NuclearWeapons_c_isempty	W_NuclearWeapons_w_isempty	1.000000
51	G_GunRetailer_c_isempty	G_GunRetailer_w_isempty	1.000000
52	F_Oil/GasIndustry_c_isempty	F_Oil/GasIndustry_a_isempty	1.000000
53	P_BorderIndustry_c_isempty	P_BorderIndustry_a_isempty	1.000000
54	D_RiskFinancier_c_isempty	D_RiskFinancier_a_isempty	1.000000
55	F_Clean200_c_isempty	F_Clean200_a_isempty	1.000000
56	P_PrisonIndustryHR_c_isempty	P_PrisonIndustryHR_a_isempty	1.000000
57	G_CivilianFirearm_c_isempty	G_CivilianFirearm_w_isempty	1.000000
58	T_TobaccoProducer_c_isempty	T_TobaccoGrade	0.951874

59	W_MilitaryWeapon_c_isempty	W_MilitaryWeapon_w_isempty	1.000000
60	F_30Coal-FiredUtilities_c_isempty	F_30Coal-FiredUtilities_w_isempty	1.000000

Exploratory data analysis (EDA):

Exploratory data analysis (EDA) is crucial when studying the sustainability of ESG data sharing based on deep learning. EDA can help researchers comprehensively understand the characteristics of datasets, identify key features, data distribution, outliers, and missing values. This information is crucial for optimizing data preprocessing steps, selecting appropriate model architectures, and ensuring data quality. Through EDA, effective feature engineering strategies and model benchmarks can be established, thereby improving the predictive accuracy and interpretability of the model.

I used the seaborn library to draw correlation heatmaps and clustering graphs for the preprocess_df dataset. This helps to identify the strength and patterns of correlations between variables in the data, especially through multiple cluster analysis of specific variable prefixes to highlight the internal correlation structures of different categories.(Figure 5)



Observation based on heat map:

F-FossilFuelGrade and P_PrivatePrisoOperators a_ism :
-These two characteristics exhibit moderate correlation (0.378871 and 0.435946, respectively), which demonstrates the prominent impact of environmental and social governance (ESG) factors on fund performance.

Through EDA analysis, we can calculate the correlation between the target variable and other features:
We calculated the correlation between specific target variables, such as first year returns (such as FP ReturnsY1), and other continuous variables, and printed out the variables with the strongest positive and negative correlation with FP ReturnsY1. This helps to identify key factors that may affect fund returns. (Table 3),(Table 4)

Variable Name	Correlation with ReturnsY1
F_CarbonUnderground_w	-0.217926
F_Oil/GasIndustry_w	-0.276647

F_FossilFuelHoldings_w	-0.313201
F_RelativeCarbonIntensity	-0.361362
F_RelativeCarbonFootprint	-0.421600

Variable Name	Correlation with ReturnsY1
FP_ReturnsY1	1.000000
FP_ReturnsY5	0.808227
FP_ReturnsY3	0.806222
FI_PortfolioHoldingsAs-OfDate	0.516813
FP_ReturnsY10	0.499320
P_PrivatePrisonOperators_a_isempty	0.435946
P_PrisonIndustrialComplexGrade	0.405564
F_FossilFuelGrade	0.378871
P_PrisonIndustryHR_a_isempty	0.367496
F_CarbonUnderground_w_isempty	0.288311
P_BorderIndustryHR_w_isempty	0.285739
P_PrisonIndustry_a_isempty	0.282405
F_Oil/GasIndustry_a_isempty	0.278394
P_AllFlaggedHR_w_isempty	0.274427
F_FossilFuelHoldings_a_isempty	0.262311

First (table 6) (negative correlation):

Displayed the variables with the strongest negative correlation with "FP-ReturnsY1", mainly including indicators related to carbon emissions and fossil fuels, such as "F-CarbonUnderground_w" and "F-Oil/GasIndustry_w". The negative correlation indicates that as these environmental factors increase, the return rate of the fund may decrease.

FP-ReturnsY5 (0.808227) and FP-ReturnsY3 (0.806222) :
-These characteristics represent the performance of the fund at different times (fifth and third year returns), and they have a very high correlation with the first year return. This indicates that the short-term performance of the fund may be closely related to the medium to long-term performance.

FI-PortfolioHoldingsAs OfDate (0.516813) :
-This may indicate a certain correlation between the deadline for holding positions and the first year return of the fund, which may stem from the impact of the time point of data collection on fund performance analysis.

FP-ReturnsY10 (0.499320) :
-This indicates a strong correlation between the ten-year return of the fund and the first year's return, further emphasizing the correlation between short-term and

long-term performance.

P_PrivatePrisonOperators'a_ism :
(0.435946),P_PrisonIndustrialComplexGrade (0.405564) , F-FossilFuelGrade
(0.378871) , etc.:
-These characteristics involve more specific social and environmental responsibility factors (such as private prison operators, prison industrial complex ratings, fossil fuel ratings), and they have a moderate correlation with the fund's first year return performance. This may indicate that investors are increasingly concerned about these responsibility factors, which may affect the attractiveness and performance of the fund.

F-CarbonUnderground_w_ism (0.288311),F-Oil/GasIndustriarya_ism
(0.278394),F-FossilFuelHoldingsA_ism (0.262311) , etc.:
-The weak relationship between these empty value (whether missing) indicators related to specific asset classes and fund returns suggests that there may be data integrity issues or that these specific factors have a relatively small direct impact on fund performance.

Second (table 7) (positive correlation):

Displayed the variable with the strongest positive correlation with "FP-ReturnsY1". This includes not only returns from other years, such as "FP-ReturnsY5" and "FP-ReturnsY3", but also some management and operational related indicators. A positive correlation indicates that when these factors are good, the fund's return tends to increase.
F-RelativeCarbonFootprint (-0.421600) :
-This feature represents the relative carbon footprint, with the highest (most negative) correlation coefficient, indicating that the larger the carbon footprint of the fund, the lower the return in the first year. This may reflect the increasing emphasis of the market and investors on environmental protection, and the avoidance of investments with high carbon emissions may be stricter.

F-RelativeCarbonIntensity (-0.361362) :
-The relative carbon intensity also shows a strong negative correlation, which is similar to the carbon footprint, indicating that the low carbon efficiency of the industry or company in which the fund invests may have a negative impact on the fund's performance.

F-FossilFuelHolding_w (-0.313201) :
-The increase in fossil fuel holdings is negatively correlated with the decrease in fund returns. This may indicate that funds investing in the fossil fuel industry performed poorly during the inspection period, which may be related to the global trend towards sustainable energy transition.

F-Oil/GasIndustry_w (-0.276647) :
-The investment weight of the oil and gas industries also shows a negative correlation, further emphasizing that investment in traditional energy industries may be negatively affected by the market.

F-CarbonUnderground_w (-0.217926) :
-This may refer to funds investing in underground carbon resources such as coal, oil, and natural gas, which also tend to perform negatively in the first year, which is related to the potential adverse effects of global environmental trends and policies on these industries.

Conclusion

These findings show how environmental factors can affect investment returns, especially with the rise of sustainable investing. The link between high-carbon assets and fossil fuel investments might signal worries about environmental issues and the challenges facing these industries. This could prompt fund managers and investors to rethink their portfolios, move away from high-carbon sectors, and focus more on greener investments.

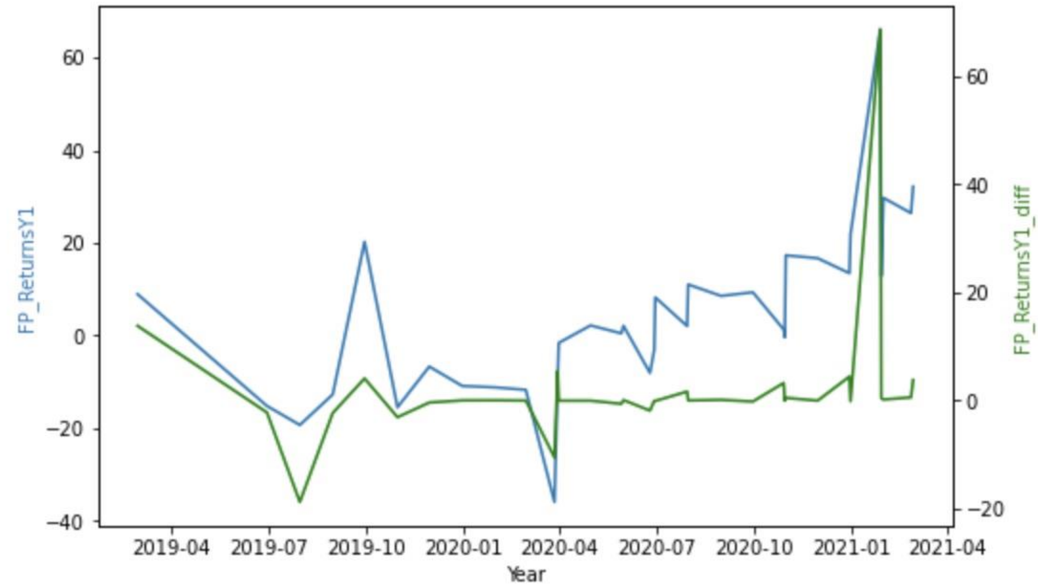
Time series analysis

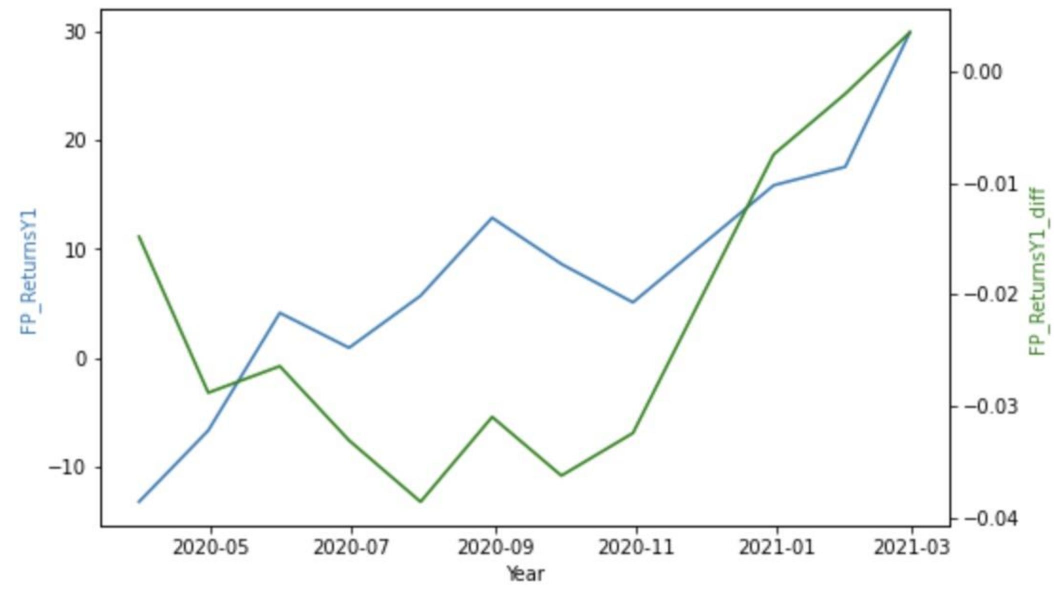
When we analyze ESG data, we look at using time series analysis to study both long-term and short-term trends. This helps us see the big picture over time, understand cyclical changes, and spot any seasonal patterns. Time series analysis can give investors and fund managers a better grasp of how ESG investments have performed historically and what their future potential might be. It's like a crystal ball, predicting where ESG indicators might head next, guiding investment choices, tweaking how we spread our assets, and making our risk management smarter.

In today's world, where ESG investment is gaining more attention, time series analysis can help us figure out why data moves up and down due to outside stuff like events or new policies. This kind of analysis is key for shaping investment plans that match up with goals for sustainable development. So, using time series analysis with ESG data lets us really understand how markets move and gives investors an edge in tricky investment scenes. It's all about making smart moves based on solid data, setting us up nicely for more advanced models down the road.

We made this chart with time series data: It shows the average and changing average of FP-ReturnsY1 over certain performance dates and holding combination dates.This type of chart helps to analyze the trends and periodic changes of time series data.

The drawing of time series diagram: A biaxial time series diagram was constructed, displaying the mean and differential mean of FP-ReturnsY1 corresponding to specific performance dates and holding combination dates. This type of chart helps to analyze the trends and periodic changes of time series data.(Figure 6),(Figure 7)





From the provided chart, it can be seen that the long-term trend of fund returns shows significant volatility. From 2019 to 2021, the rate of return has sometimes significantly increased and sometimes rapidly decreased. Especially during the period from early 2020 to early 2021, a clear upward trend can be observed, which may be related to changes in the global economic environment and market reactions. In addition, the differential change in the fund's return rate shows an intensification and weakening of volatility, reflecting the direct impact of rapid changes in market conditions on fund performance. Overall, the performance of the fund exhibits characteristics of uncertainty and high volatility during the observation period.

4.2 Ridge Regression and KNN Model Training

4.2.1 The Purpose of Model Establishment

The purpose is to predict the performance of funds based on ESG features. Through the application of deep learning KNN models in ESG data processing, the importance of deep learning models in ESG data analysis is explained, and then the impact of ESG data on fund income is explained, reflecting its importance in the financial industry and investment.

4.2.2 Target Variable

Accumulated return at the end of the first year month.(FP-ReturnsY1)
Refer to 4.1.3 for selection reasons.

4.2.3 Model Selection

Ridge regression as linear regression and KNN model as deep learning model. Through the analysis and comparison of their results, the role of deep learning models in ESG data is demonstrated.

4.2.4 Feature Selection

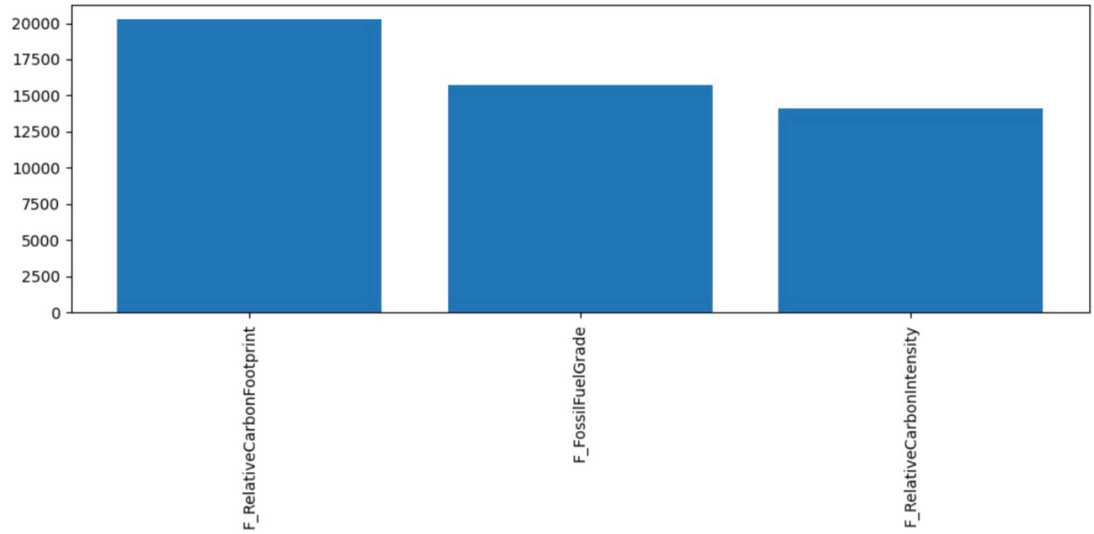
We are performed using the SelectKBest method (f_compression, mutual_info_compression)(Table 5)

Feature Name	Score
FI_PortfolioHoldingsAs-OfDate	34153.307546
P_PrivatePrisonOperators_a_isempty	21989.784315
F_RelativeCarbonFootprint	20258.563683
P_PrisonIndustrialComplexGrade	18449.127327
F_FossilFuelGrade	15706.956740
P_PrisonIndustryHR_w_isempty	14632.881338
F_RelativeCarbonIntensity	14075.677581
F_FossilFuelHoldings_w	10192.960540
F_CarbonUnderground_w_isempty	8496.207382
P_BorderIndustryHR_a_isempty	8331.910689
P_PrisonIndustry_a_isempty	8121.849351
F_Oil/GasIndustry_a_isempty	7873.544126
F_Oil/GasIndustry_w	7766.832095
P_AllFlaggedHR_a_isempty	7632.567155
F_FossilFuelHoldings_a_isempty	6924.769241
GE_WeightOfHoldings	5511.747283
F_Fossil-FiredUtilities_a_isempty	5159.543110
F_CarbonUnderground_w	4672.627456
F_Clean200_w	4155.512974

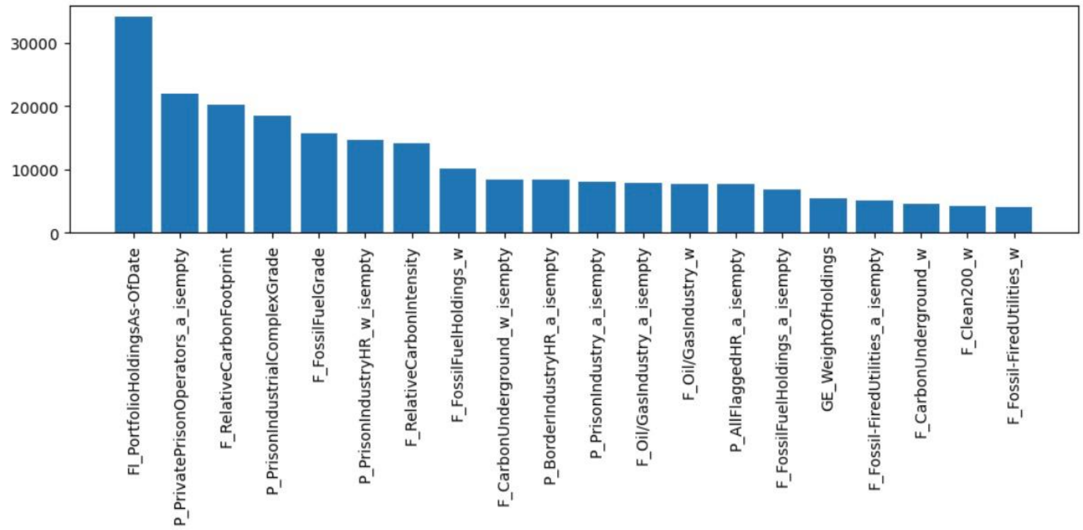
F_Fossil-FiredUtilities_w	4075.516177

This include:

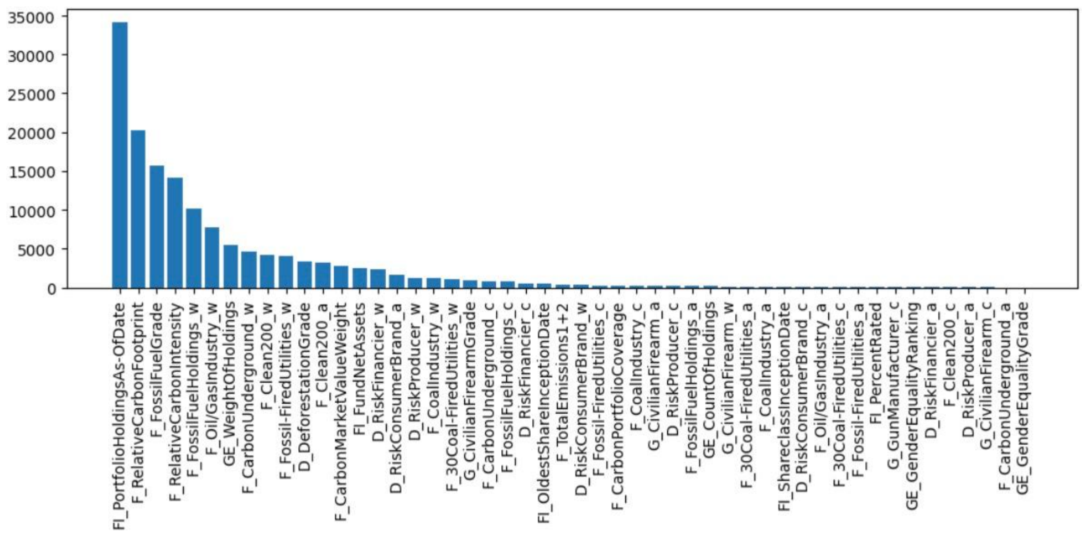
Simple model: 3 features(Figure 8 9 10)



Medium model: 10 to 20 features



Complex model: all features.

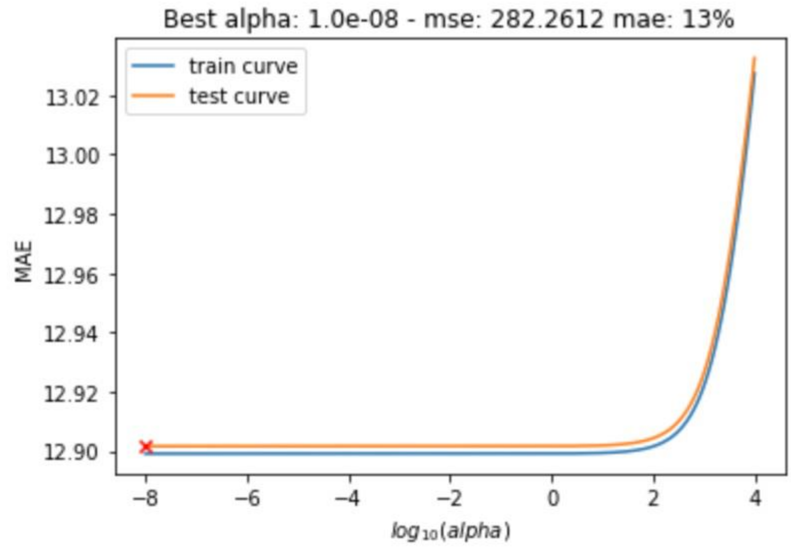


4.2.5 Model Evaluation

To evaluate the accuracy of our model (cost function), we will use the Mean Absolute Error (MAE) method:
MAE is easy to explain. For example, a score of 3 means that the predicted value deviates from the observed value by an average of 3 units.
The MAE method has strong robustness against outliers, which is a good statistical characteristic, but it is difficult to optimize due to its non smoothness.

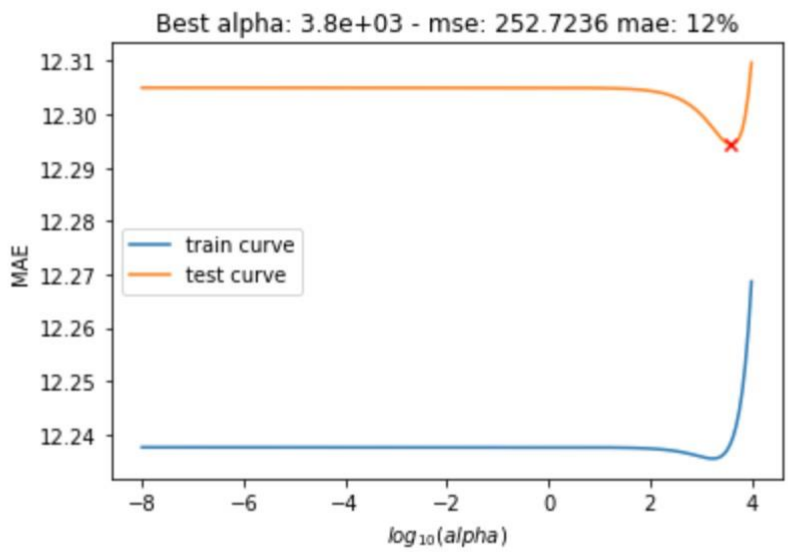
4.3 Ridge Regression Results Analysis

We calculate here the MAE score for each model using Ridge regression with grid search tuning for the regularization (alpha) parameter(Figure 11)



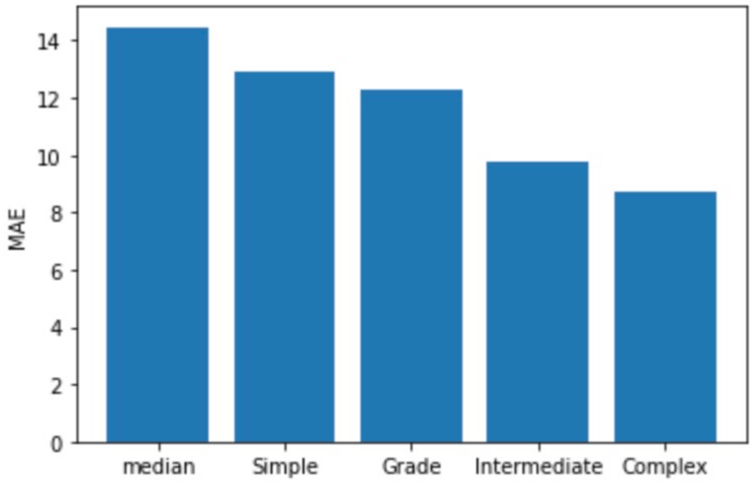

```
MAE with best alpha: 12.902%
```

This figure shows that when the optimal alpha value is 1.0e-08, the MAE reaches its lowest point of 12.902%, indicating that the model fits the data best under this regularization intensity.(FIgure 12)




```
MAE with best alpha: 12.294%
```

This figure shows that when the optimal alpha value is 3.8e+03, the MAE is slightly lower at 12.294%, further improving the predictive accuracy of the model. This indicates that the model performs better at higher levels of regularization.(Figure 13)



This graph compares the performance of models based on different feature sets: simple model, medium complexity model, and complex model, as well as a median based baseline model.

It can be seen that as the complexity of the model increases, the overall MAE shows a downward trend, indicating that using more features can improve the predictive ability of the model.

The MAE of simple and medium complexity models is similar, while complex models provide lower errors, indicating that in ESG analysis, more information can more accurately predict the performance of funds.

conclusion

These results demonstrate that in ESG feature driven fund performance prediction, the accuracy of prediction can be significantly improved through appropriate regularization selection and increasing model complexity.

Ridge regression models can effectively address the issues of feature diversity and high data dimensionality, especially when faced with possible multicollinearity, by adjusting the alpha value to control the complexity and overfitting risk of the model.

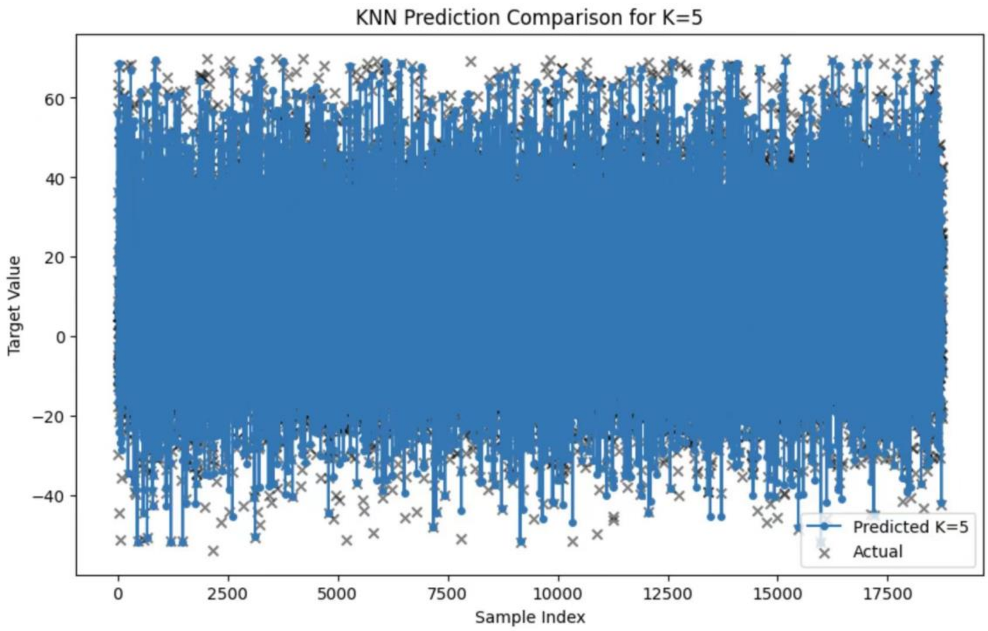
The results also indicate that there is a significant difference between the statistical baseline (median) and the machine learning model in this case, indicating the advantages of using machine learning methods in processing complex ESG data.

4.4 KNN Model Results Analysis

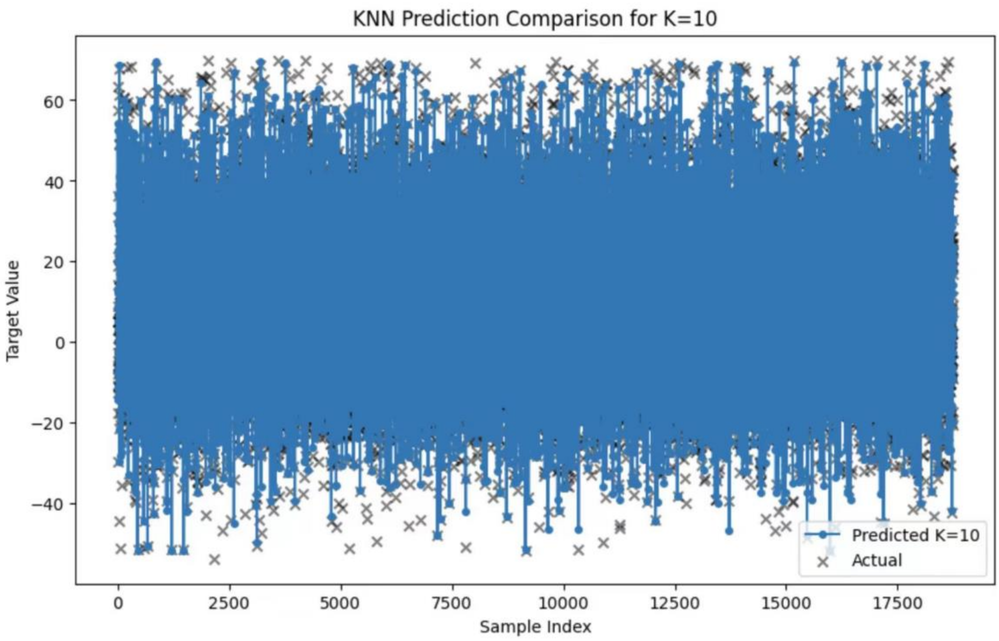
We selected several typical K values (5, 10, 20, 50,100), trained a KNN model for each

K value, and plotted their prediction results in charts. This includes both predicted results and actual values. By using different charts, it is easier to compare the impact of different K values on predictive performance without visual confusion caused by overlapping multiple curves. This method enables the prediction results of each K value to be displayed separately, facilitating detailed visual analysis and evaluation.

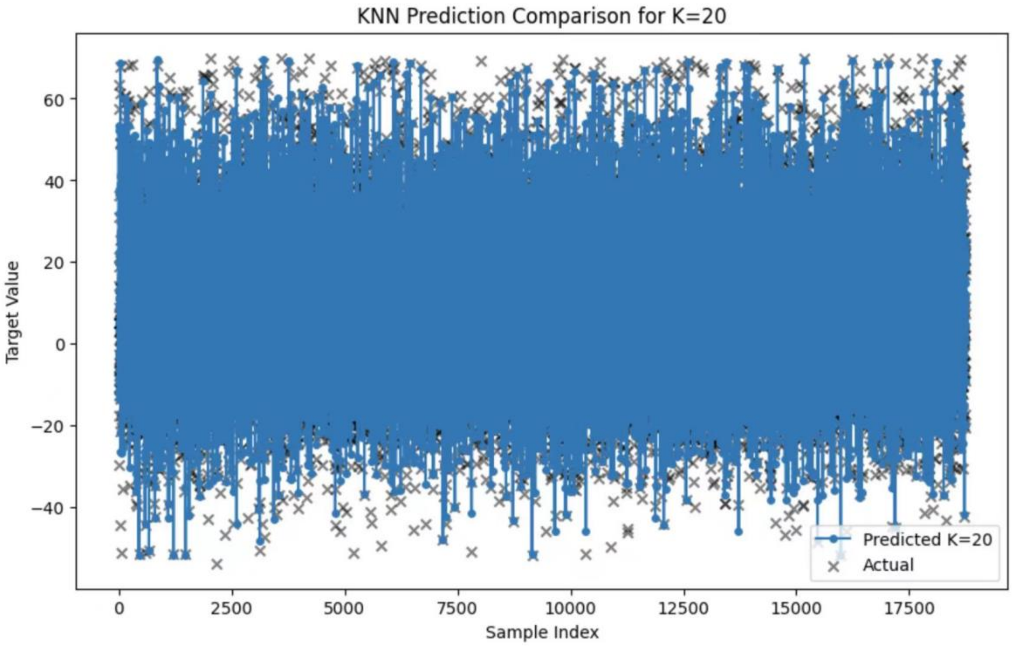
K=5(Figure 14)



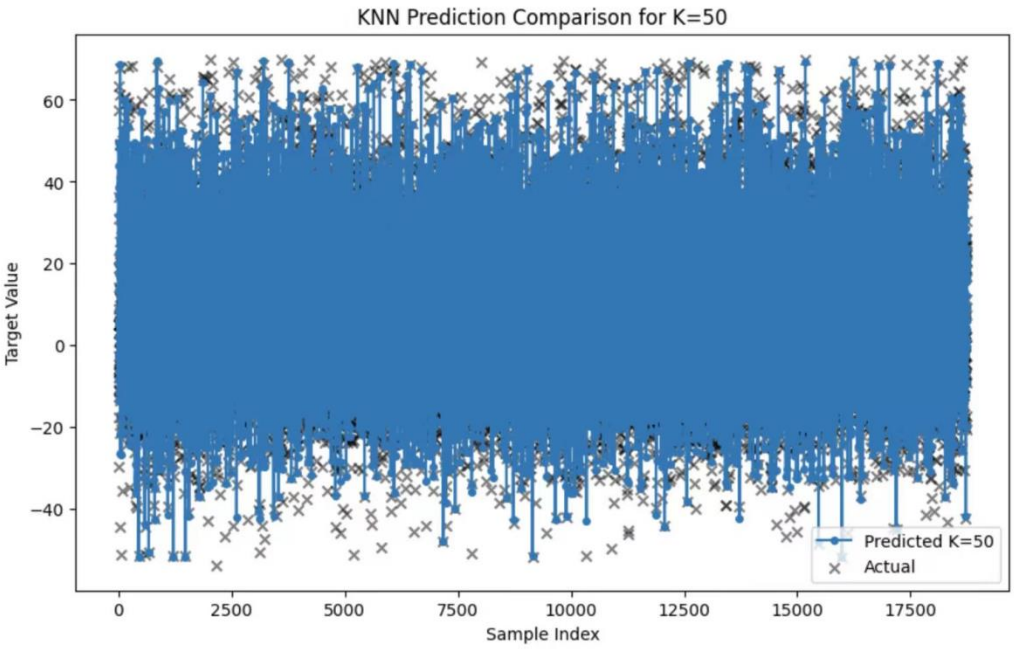
K=10(Figure 15)



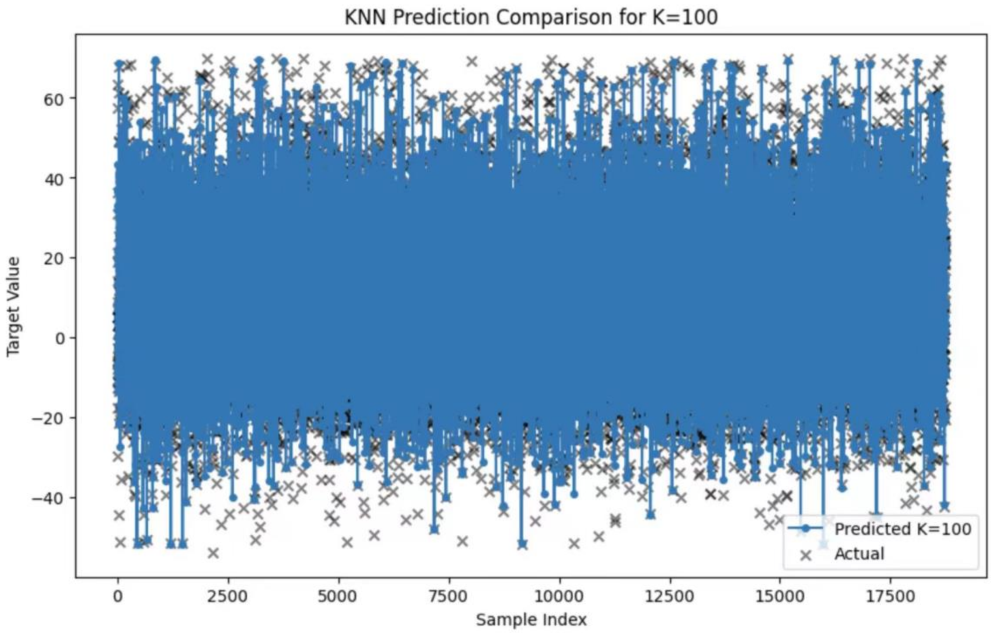
K=20(Figure 16)



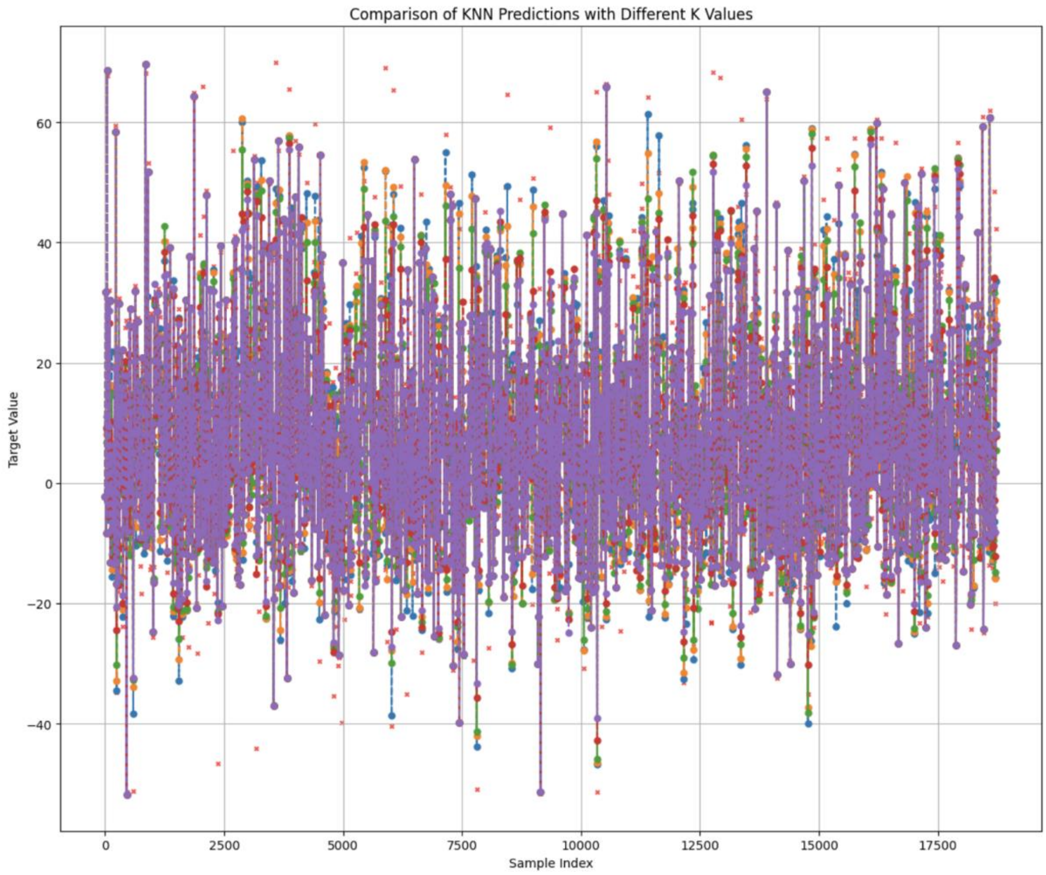
K=50(Figure 17)



K=100(Figure 18)



Comparison(Figure 19)



From these charts, we can see that as the K value increases, the model's predictions tend to be smooth and stable, but at the same time, important details and patterns may also be overlooked. Therefore, selecting the appropriate K value is the key to achieving model optimization. For ESG data analysis, this means that finding the K value that accurately captures the impact of sustainable and social governance factors on fund performance is crucial.

We calculated the MAE values for different k values, which were k=5: 2.8640, k=10: 2.7955, k=20: 2.7524, k=50: 2.7275, k=100: 2.7365. These MAE results demonstrate the performance of the KNN model under different K values when processing ESG fund data.

The error decreases with the increase of K value: as K increases from 5 to 50, the MAE of the model gradually decreases, indicating that as the number of neighbors increases, the prediction error of the model decreases and the prediction results tend to be stable. This may be because increasing the K value allows the model to better smooth out noise and outliers, thereby improving the accuracy of prediction. In this specific dataset, when K=50, the MAE reaches its lowest value of 2.7275, which may be the optimal K value for this dataset. But as K continues to increase to 100, MAE slightly increases, indicating that it may have reached an overly smooth state, and the model begins to ignore some important data features, resulting in a slight decrease in performance. Choosing a K value is a balancing process. Although smaller K values can capture subtle fluctuations in data, they are easily affected by noise; Although larger K values have good resistance to noise, they may overlook useful information. Based on these results, K=50 may be a suitable balance point in this case, which can effectively reduce prediction errors while maintaining moderate attention to data details.

4.5 Conclusion

After comparing the MAE results of the KNN and ridge regression models mentioned above, we can draw several key conclusions, and in this case, the KNN model shows excellent processing ability for ESG data:

Model performance comparison:

The KNN model shows that as the number of neighbors K decreases, the MAE of the model gradually decreases, especially when the K value is 5, the MAE reaches its minimum, demonstrating excellent prediction accuracy. This indicates that selecting the appropriate K value is crucial for the predictive performance of the KNN model in ESG data analysis.

In contrast, the MAE of the ridge regression model is significantly higher, indicating that in this case, the KNN model is more effective in capturing and predicting complex relationships and patterns in ESG data.

The advantages of deep learning models:

In this example, the KNN model demonstrates some key advantages of deep modeling, which can adapt to complex nonlinear problems and significantly improve prediction accuracy with appropriate parameter selection. KNN can intuitively capture the subtle relationship between ESG scores and fund performance by considering the local relationships of data points, which is difficult for many models based on linear assumptions to achieve.

The necessity of data sharing:

It is crucial to access a wide range of ESG data in order to maximize the performance of predictive models. Data sharing can not only enhance the diversity and representativeness of model training sets, but also drive the entire industry towards more open information exchange and cooperation, ultimately improving the performance of the entire financial market in sustainable investment.

5. Design of a Data Sharing Framework

5.1 The Necessity of ESG Data Sharing Framework

In today's industry setup, dealing with ESG (Environmental, Social, Governance) data poses several challenges. This affects how effectively the data can be used and impacts the quality and transparency of decision-making. One major issue is that the data is all over the place, spread out across different systems and departments, making it hard to bring together[37]. Also, the quality of the data varies a lot, with different standards and accuracy levels depending on where it comes from[38]. This makes it tricky to compare and analyze the data properly. Another problem is the lack of consistent industry standards and reporting guidelines[39]. This makes it tough for companies to agree on how to collect and report the data in a way that everyone trusts.

To tackle these problems, it's important to set up a good system for sharing ESG data. This system should have a few key parts[40]:

Standardizing the data: Make sure everyone is using the same rules for collecting and reporting data. This means deciding on things like what format the data should be in, what units to measure things in, and how to make sure the data is good quality.

Centralizing the data: Put all the ESG data in one place so it's easier to manage[41]. This will help with integrating the data, stop it from being duplicated, and make sure it stays safe and private.

Sharing the data: Come up with a fair way for different people to access the data when they need it[42]. This might mean setting rules about who can see what, keeping an eye on how the data is being used, and making sure everyone follows the rules.

Providing technical support: Make sure there are good tools and systems in place to help with collecting, analyzing, and reporting the data[43]. These tools should be able to keep up with changes in technology and business needs, and they should be able to update the data automatically and do analysis in real-time.

Keeping an eye on things: Set up a way to check regularly how well the data-sharing system is working[44]. This should include looking at things like how good the data is, whether people are happy with how it's being shared, and what impact it's having on the business.

5.2 Design Principles of ESG Data Sharing Framework

Transparency：

Transparency is really important for creating and keeping trust among everyone involved. When it comes to sharing ESG data, being transparent means clearly showing where the data comes from, how it's handled, and what it's used for[45]. This includes not just being clear about how data is processed, but also sharing information about how its quality is checked and assessed. Making sure that every part of the data process can be followed and checked helps stakeholders to understand better how data is gathered, analyzed, and reported, which makes them more confident that the data is accurate.

Accessibility：

It's super important to make data interfaces and platforms easy to use if we want to use ESG data better[46]. This means making interfaces that anyone can understand and tools to get the data easily, even if you're not super tech-savvy. Especially for fintech startups, these tools need to work on all kinds of devices, like phones, because businesses change fast. And it's not just about the tools – having good guides and support for users is key, so everyone can actually use the data and make it useful for everyone.

Security：

Ensuring ESG data sharing is safe involves using high-tech security methods and privacy measures to stop data leaks and unauthorized entry. This means sending and storing data in a coded way, controlling access tightly, and routinely checking for security gaps. It's also crucial to follow legal rules, like GDPR, to meet data protection standards.

Scalability：

As businesses and markets change, ESG data sharing systems need to be really flexible and able to grow. The design should be able to handle new types of data, more users, and technology that keeps changing. Using a setup with modules and microservices can make the system more scalable. This means it can adjust to new things and updates in technology fast, without messing up how well the system works.

Following these rules can guide fintech startups in handling ESG data well, making sure it's reliable, accessible, and safe. This supports sustainable growth and caring for the environment. Also, it sets a good base for sharing data, encouraging a fair, clear, and helpful data environment for everyone.

5.3 Implementation Strategy

5.3.1 The Application Foundation of Blockchain Technology in ESG Data Sharing

Blockchain structure:

Blockchain is like a digital ledger where information is grouped into blocks, and each block has records of transactions[47]. These blocks are connected through encryption, making a chain. This set up keeps the data consistent and unchangeable because altering one block would mess up the rest of the chain.

Consensus mechanism:

In the blockchain network, there's a way called consensus mechanism to check and save transactions. Proof of Work (PoW) and Proof of Stake (PoS) are two common methods used. They help everyone in the network to reach an agreement on the data, making the network more secure and the data more trustworthy.

Encryption technology:

Blockchain uses special codes called public and private keys to keep transactions safe and anonymous[48]. The public key shows where a user is, and the private key confirms that a transaction is real.

5.3.2 The Application of Blockchain in ESG Data Sharing

Data transparency and traceability:

With blockchain, ESG data updates and transactions are out in the open for everyone to see, so anyone can check where the data comes from and its history. Like, a company's carbon emissions data can be kept on the blockchain. That way, investors and regulators can keep tabs on changes and where the info comes from right away, making sure it's legit.

Data immutability:

After ESG data gets put on the blockchain, changing it needs most of the network nodes' agreement. This setup stops people from messing with the data and makes ESG reports more trustworthy.

Automation contract:

Blockchain smart contracts can carry out contract terms on their own. In sharing ESG data, they can check if data follows the rules, follow data sharing protocols, or manage money matters related to ESG performance, like giving rewards for doing well sustainably.

Cross institutional data sharing:

Blockchain creates a system where institutions can share data directly, without needing third-party access[49]. This is particularly handy in fintech, allowing banks, insurance companies, and investment funds to share and access ESG data all in one place.

5.4 Implementation Challenges

Although blockchain has advantages, using it in ESG data sharing setups has hurdles such as technical difficulties, scalability problems, and the necessity for trust and agreement among users. Misunderstandings and lack of technical know-how can also hold back its adoption. Still, with thoughtful planning and action, blockchain can greatly improve the transparency and dependability of ESG data handling, aiding sustainable financial offerings.

5.5 The Application of Cloud Computing in ESG Data Sharing Framework

Scalable storage and computing power

Cloud platforms let businesses change storage and computing power as they need. This is important for dealing with ESG data that can change fast with reporting and market demands. Like, during the yearly sustainability report, more computing power might be needed to handle the data.

Data integration and management

Cloud platforms serve as a main connection point for merging different data sources. They simplify linking ESG data from various departments and outside groups like energy usage, supply chain details, and social responsibility records. The data management tools on these platforms aid companies in tidying up, combining, and setting standards for data, thereby enhancing its quality and accessibility.

Efficient data analysis and processing

Cloud computing platforms have fancy analysis tools and libraries of fancy math stuff. They help companies do complicated data studies, like figuring out trends, guessing what might happen in the future, and thinking about different scenarios. These tools help companies learn a lot from ESG data and make decisions. For example, smart computer programs can guess how much harm a company does to the environment and suggest ways to do less harm.

Collaboration and sharing

Cloud services help teams work together instantly, letting people from anywhere join in to work on the same information. This makes teams work better. Plus, they can control who gets to see what to keep things safe and follow rules. And they can share data safely with outside folks like suppliers and government agencies.

Flexibility and agility

Business requirements change over time, and cloud platforms provide the flexibility to adjust swiftly. This involves launching new services, tweaking data setups, and shifting data smoothly. Moreover, the pay-as-you-go system of cloud services aids businesses in cutting expenses and sidestepping hefty initial investments in local infrastructure.

Security and compliance

Despite the numerous conveniences provided by cloud services, security and data protection remain the focus of attention for enterprises. Modern cloud service providers typically adhere to strict international security standards, such as ISO 27001 and GDPR, and provide multiple layers of security protection, including data encryption, network security protection, and physical security measures, to protect sensitive ESG data stored in the cloud.

Through the above methods, the application of cloud computing platforms in ESG data sharing frameworks not only improves processing efficiency and scale, but also enhances the ability of enterprises to respond to sustainable development challenges on a global scale.

6.Case Study

6.1 Case Title

“The drive for the sustainability of fintech startups through deep learning-based ESG data sharing”
(“https://pure.itu.dk/files/90464219/Becoming_Sustainable_Together_Revision_Final.pdf”)
The case study "Together becoming sustainable: ESG data sharing for fintech startups" in this document provides a detailed introduction to how a Danish fintech entrepreneurship cluster can participate in the design and use of ESG data sharing frameworks to improve the quality and credibility of its ESG reports.

6.2 Background Description of the Case

In this case study, we explore how fintech startups can solve ESG data quality and management challenges by building a shared environmental, social and governance (ESG) data library. With the rise of sustainable investing, accurate and reliable ESG reporting has become crucial. However, many start-ups struggle with accessing and managing high-quality ESG data, often due to a lack of resources, expertise, and inconsistent industry standards. A bunch of fintech startups in Denmark are teaming up across different sectors and using tech, particularly by involving everyone in designing their systems, to share data better and make it higher quality, all to help them be more sustainable.

6.3 Case Description

This study looks into how fintech startups deal with data issues by making a shared ESG data library. The big problem is gathering, handling, and reporting good ESG data when resources are tight. This data is super important for investors but often tricky to work with because the systems for managing it aren't effective.
In this study, a group of fintech startups in Denmark worked together with researchers and industry folks to make an ESG data library that they all share. This library gives them a common place to put, get, and study ESG data, making it better and easier to report. It helps these startups get past their tech and resource limits and get more involved in sustainable development.
The study uses a teamwork approach, where everyone works together and learns from each other. They're not just fixing tech problems; they're using data sharing to make social changes too. Plus, they're picking up useful lessons on how sharing data can help the industry grow sustainably.

6.4 Implement ESG Data Sharing Framework

Collaborative design
The study adopted a participatory design approach, involving stakeholders in the fintech cluster, venture capitalists, an ESG reporting platform, and data providers.

This collaborative effort aims to tailor ESG reporting structures for startups that often lack the resources and knowledge to implement complex ESG reporting standards typically designed by large corporations.

Improve data quality

One of the main objectives of this plan is to address the issue of poor ESG data quality, which has always been a major obstacle to effective reporting. This framework focuses on developing a practical foundational approach that acknowledges the changes in processes, structures, and social material dynamics within the entrepreneurial ecosystem. This method not only aims to improve the accuracy of data, but also makes the data more relevant by considering specific material issues closely related to the fintech industry.

Benefits of meeting stakeholder needs

Meet investor and regulatory requirements:

By improving the quality and reliability of ESG data, this framework helps startups meet the increasing needs of investors considering ESG performance. Better data supports investors to make wiser decisions, which may increase investment in startups that demonstrate strong ESG performance.

Ability to adapt to regulatory changes:

The dynamic nature of the regulatory environment regarding sustainability and corporate governance requires startups to maintain flexibility and responsiveness. The ESG data sharing framework helps startups adapt to new regulations and standards faster by improving data management and reporting practices, thereby maintaining compliance and avoiding potential legal and financial penalties.

6.5 Actual Achievements and Contributions

Create a data sharing pool:

This plan resulted in the creation of a shared ESG data pool, which not only benefits participating startups by reducing effort duplication and making data management more efficient, but also enhances transparency and accountability throughout the entire cluster.

Empowering start-up companies:

This framework empowers startups with self-sufficiency by providing them with the tools and knowledge they need to conduct their own ESG reporting. This self-sufficiency is crucial for startups that may not have the resources to hire external consultants or purchase expensive ESG data services.

Promoting innovation:

The open and collaborative nature of data sharing encourages innovation in the fintech industry, allowing startups to try new ways of data collection, analysis, and reporting. This can lead to new approaches to managing ESG challenges specifically tailored to the needs and capabilities of startups.

The ongoing research case demonstrates how practical and actionable frameworks, such as the ESG data sharing framework, can directly contribute to the sustainable transition of enterprises by embedding sound data management practices into their operations. This case study example illustrates how engaging with such frameworks not only meets the immediate needs of stakeholders, but also lays the foundation for long-term sustainability and growth within the fintech industry.

6.6 Case Conclusion

This example shows how fintech start-ups can improve how they handle data and make things more efficient by setting up a library where they can share ESG data. Doing this helps businesses meet the rules about reporting on sustainability for investors and regulators. It also encourages teamwork and sharing info between companies, which makes things clearer and more sustainable for everyone in the industry.

6.7 Establishing a data sharing framework based on case studies

Through the above case, in this fintech startup cluster in Denmark, the construction of an ESG data sharing library has improved data quality and report credibility. By sharing data, participating enterprises not only reduce the cost of repetitive work, but also improve the efficiency of data management. This method can be extended to more enterprise clusters, promoting cross industry ESG data sharing and cooperation, enhancing overall market transparency and sustainable development. Through the application of practical cases, we propose our own establishment of an ESG data sharing framework:

Building an ESG data sharing framework based on blockchain and cloud computing technology can significantly improve the transparency, efficiency, and security of data management. The platform first starts with sensors Real time ESG data is collected through various channels such as API interfaces and manual input, and stored in an elastic storage system provided by cloud computing platforms to ensure data security and high availability. These data sources include environmental sensors, internal company systems, and external third-party data providers, which achieve automatic data acquisition through API interfaces and combine manually entered company report data to ensure diversity and comprehensiveness of data sources.

Then, use the ETL (Extract) of the cloud platform, The Transform (Load) tool cleans, formats, and preprocesses data, and integrates the processed data into a unified data warehouse. The ETL process includes data extraction, data conversion (such as data type conversion, missing value filling, and outlier handling), and data loading to ensure data consistency and high quality. Through this process, the data becomes more standardized and standardized, making it easier for subsequent analysis and use.

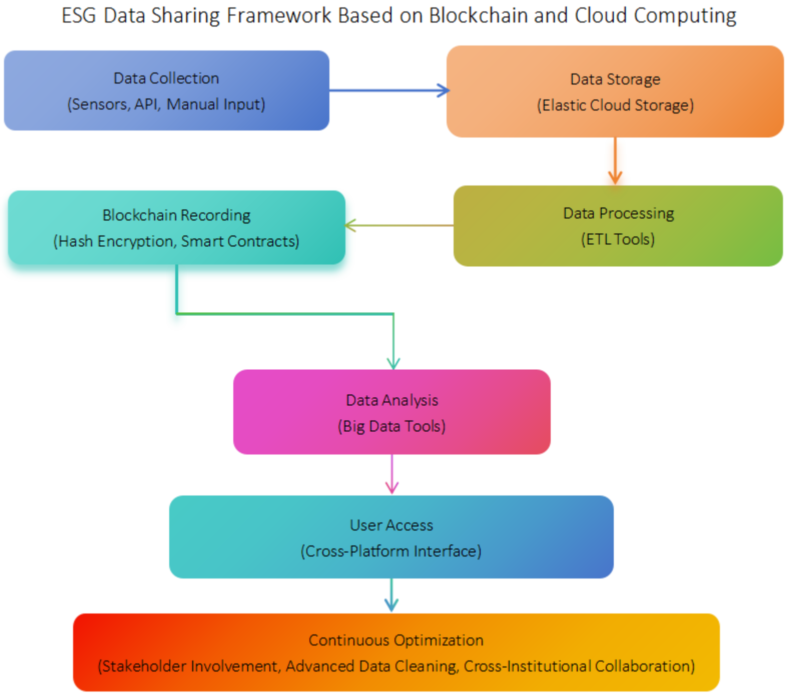
Subsequently, these processed data will be recorded in the distributed ledger of the blockchain. Blockchain technology encrypts the data of each block through hash algorithms and links the blocks together to form an immutable chain, ensuring the transparency and immutability of the data. In addition, utilizing smart contract technology, preset ESG data sharing protocols can be automatically executed. For example, when certain conditions are met, smart contracts will automatically trigger data sharing or incentive mechanisms, reducing human intervention and improving efficiency and transparency. The automated execution capability of smart contracts ensures the fairness and reliability of the data sharing process.

Next, utilize the powerful computing power of cloud computing platforms and big data analysis tools such as Google BigQuery and AWS Redshift to perform real-time analysis and processing of stored data. These tools can quickly process large-scale datasets, generate real-time reports and predictive models, and help businesses respond quickly to market changes and business needs. For example, companies can understand their carbon emissions through data analysis and predict future emission trends, in order to develop more scientific emission reduction strategies.

Finally, through a user-friendly cross platform interface, enterprise users can access and manipulate data anytime, anywhere for querying, analysis, and decision-making. The interface design focuses on user experience and supports multi device access, including desktop computers, tablets, and phones, ensuring that users can easily use the various functions provided by the platform. Through data visualization tools, users can intuitively view and analyze ESG data, making wiser decisions.

This framework not only improves data transparency and security, but also provides powerful data analysis and real-time processing capabilities, helping enterprises better respond to market changes and business needs, and promoting sustainable development of enterprises and society. In practical cases, such as the fintech startup cluster in Denmark, the construction of ESG data sharing libraries has improved data quality and report credibility. By sharing data, participating enterprises not only reduce the cost of repetitive work, but also improve the efficiency of data management. This method can be extended to more enterprise clusters, promoting cross industry ESG data sharing and cooperation, enhancing overall market transparency and sustainable development.

In the future, further optimization can be carried out by involving stakeholders in the design to ensure that the platform design meets practical needs and improve its applicability and practicality. Using advanced data cleaning techniques to further improve data quality and consistency. At the same time, promote cross institutional and cross industry cooperation, build an open ESG data sharing platform, where different institutions and industries can share data and best practices, and promote overall market transparency and sustainable development. These improvements will ensure that the platform better meets practical needs and help businesses and society make greater progress in achieving sustainable development goals.(Figure 20)



The role of blockchain technology in this framework:
Blockchain technology has played a crucial role in this. Firstly, blockchain records all changes in ESG data through distributed ledgers, ensuring that each node has a complete copy of the ledger, thereby achieving data transparency and traceability. The data of each block is encrypted using a hash algorithm and linked together with the previous block to form an immutable chain, ensuring the integrity and security of the data. Secondly, the consensus mechanism of blockchain (such as PoW or PoS) verifies and records transactions to prevent false data from entering the system, ensuring the reliability and consistency of data. In addition, smart contracts are self executing codes on the blockchain that can automatically execute preset ESG data sharing protocols. When certain conditions are met, smart contracts will automatically trigger data sharing or incentive mechanisms, reducing human intervention and improving efficiency and transparency. Through these features, blockchain technology ensures the transparency, security, and automation of ESG data on shared platforms, greatly improving the overall quality and credibility of data management.

The role of cloud computing technology in this framework:
Firstly, cloud computing platforms provide elastic storage and computing resources, enabling enterprises to dynamically adjust resources based on actual needs, process continuously growing ESG data, ensure maximum resource utilization, and reduce costs. Secondly, cloud platforms provide powerful data integration tools to integrate

data from different sources into a unified platform for management and analysis, support data cleaning and preprocessing, and improve data quality and consistency. In addition, the powerful computing power and big data analysis tools of cloud computing, such as Google BigQuery and AWS Redshift, can efficiently process and analyze large-scale ESG data, generate real-time reports and predictive models, and help enterprises quickly respond to market changes and business needs. The cloud platform also supports multi-user collaboration, allowing team members to access and process data anytime, anywhere, improving work efficiency and ensuring data consistency and integrity. Finally, cloud service providers adhere to strict international security standards such as ISO 27001 and GDPR, providing multi-level security protection measures to ensure data security and privacy, and complying with legal and regulatory requirements. Through these features, cloud computing technology provides powerful storage, computing, data processing, and security guarantees in ESG data sharing platforms, significantly improving the efficiency and reliability of data management and analysis.

7.Conclusion and Expectation

7.1 Conclusion

The importance of ESG data sharing framework

Through practical case analysis, this article proves that establishing an efficient ESG data sharing framework is crucial for improving the quality and credibility of ESG reports for start-up companies. This framework not only improves the transparency and traceability of data, but also strengthens cooperation between enterprises through data sharing, promoting the sustainable development of the entire fintech industry.

The application of deep learning in ESG data processing

The KNN model has shown significant advantages in ESG data analysis due to its simplicity and ability to handle large-scale datasets. The model is able to identify and utilize complex patterns in ESG data, providing more accurate support for investment decisions.

The driving effect of data sharing on sustainability

The study emphasizes that by sharing and analyzing high-quality ESG data, companies can better respond to environmental, social, and governance challenges. Data sharing not only enhances the trust of all parties in data, but also promotes widespread recognition of corporate social responsibility.

7.2 Expectation

Deepen research on data sharing frameworks

Future research should further explore privacy protection and data security issues in data sharing frameworks, ensuring that data security is not compromised while promoting transparency and accessibility.

Application of extended deep learning models

Considering the efficiency demonstrated by the KNN model in processing ESG data, future work can explore the application of more deep learning algorithms in ESG data analysis to improve the predictive ability and adaptability of the model.

Enhance cross industry cooperation

Promoting data sharing and cooperation among different industries can enhance the ability of enterprises to handle ESG issues on a global scale. Through industry collaboration, standardized ESG data reporting formats can be jointly developed to enhance transparency and sense of responsibility in the entire market.

Through these measures, the ESG data sharing framework based on deep learning will be continuously optimized to provide more accurate and reliable data support for enterprises and investors, thereby promoting the achievement of global sustainable development goals.

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