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# Bridging the Gap Between "hard" and "soft" ESG Data

Posted by Janelle Metzger

Tags: Corporate Social Responsibility | ESG Investing | Social Impact | Sustainable Investing

A recent survey completed by the <u>Chartered Financial Analysts (CFA)</u>
<u>Institute</u> found that "valuation approaches lack consistency, and investment professionals report various ways of incorporating ESG into equity analysis."

It's no secret that investors struggle with assessing the impact of their ESG investments as a result of unverified, opaque, and incompatible measurement frameworks. Many businesses have acknowledged and even embraced the U.N. General Assembly's Sustainable Development Goals (SDGs) and often include their version of reporting in an annual Corporate Sustainability Report or company disclosure. However, not all ESG factors are created equally. So how can investors weigh ESG data to make informed and socially conscious investments?

#### Understanding the differences between "soft" and "hard" data.

The CFA's report goes on to give a distinct classification between "soft" and "hard" ESG data. Hard ESG data is available in the traditional format, is easily quantifiable, and can be readily plugged into valuation models. On the other hand, soft data is qualitative and challenging to capture in the investment decision-making process.

At Aneuvia, we compensate for the inevitable task of working with potentially critical hard and soft ESG data points by taking quantitative and qualitative approaches to ESG integration.

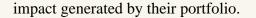
From a quantitative standpoint, we rely on Bloomberg's proprietary scores built on the foundation of a business's ESG disclosures. In addition to collecting data from corporate filings and Carbon Disclosure Project disclosures, Bloomberg also conducts an ESG survey which is derived from a quantitative model that minimizes noise, size bias, and disclosure gaps.

#### ESGHardandSoftData

Image not foun From a qualitative standpoint, we procure data from

Sustainalytics, which calculates an overall percentile rank assigned to a business based on its ESG total score relative to its industry competitors. We also draw insights from S&P Global's SAM, which evaluates companies on sustainability criteria within ESG factors.

Continued ESG success will hinge heavily on better data, transparency, governance, and accountability. By setting up a global ESG data measurement framework, investors can measure, monitor, and manage the



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#### <u>Older</u>

### Tags:

Activist Investing {5}

Aneuvia Surveys {1}

Aneuvia Whitepapers {5}

Corporate Social Responsibility {14}

COVID-19 {7}

Diversity and Inclusion {7}

Employee Engagement {2}

ESG Investing {17}

Mental Wellness {3}

Social Impact {16}

Sustainable Investing {17}