Module 3 Supporting Material

Comparing ESG Rating Providers

Cross-Faculty Curriculum for Sustainable Finance

University of Liechtenstein | University of Kassel | University of Luxembourg

Module Alignment

This supporting material accompanies **Module 3: Sustainability Evaluation: ESG Ratings and Greenwashing**, in particular:

- **Lecture 2:** How can ESG be measured?
- **Lecture 3:** Different raters, different opinions? Exploring the gap in ESG ratings

It is designed to support the group exercise in which students analyse and compare the methodological approaches of ESG rating or ESG data providers.

Aligned Module Learning Outcomes

By the end of this exercise, students should be able to:

- evaluate the capabilities and limitations of existing ratings, including measurement issues, limited transparency, uneven coverage, and potential conflicts of interest;
- reflect on what ESG ratings aim to measure and how they are structured and differ across data providers;
- critically reflect on why ESG ratings may diverge from one another and what this implies for sustainable investing.

Aim of the Exercise

Throughout Lectures 2 and 3 of Module 3, students analyse an ESG data provider with respect to its methodological approach, particularly focusing on data collection, processing, and subsequent rating procedures. The exercise is intended to improve learners' understanding of how sustainability can be measured, which criteria rating agencies focus on, how they collect and verify data, and why different agencies may reach different conclusions.

The exercise should support learners in critically reflecting on:

- why ESG ratings diverge from one another;
- which strengths and weaknesses are associated with different methodological approaches; and
- how different rating approaches align with different sustainable investment strategies.

Core Task

How does the chosen ESG rating provider collect, process, and aggregate sustainability-related information, and how does this methodological approach compare to those of other providers?

Format and Suggested Use

This supporting material is intended for **small-group work** across Lectures 2 and 3.

Suggested Sequence

Lecture 2

- Groups choose or are assigned one ESG rating or ESG data provider.
- Groups analyse the provider using the guiding questions below.
- Groups prepare a short structured presentation.

Lecture 3

- Groups present their provider analysis.
- Results are compared across providers.
- Differences in objectives, data sources, aggregation logic, transparency, and interpretation are discussed in plenary.

Core Themes of the Exercise

The guiding questions are linked to the central themes of Lectures 2 and 3, including:

- sustainability-related information and data sources;
- measurement and aggregation of ESG ratings;
- methodological divergence across ESG rating providers; and
- the strengths and limitations of ESG rating processes.

1. ESG Rating Provider Context

Possible guiding questions may include:

1. What are the stated objectives of the ESG rating provider?
2. Which stakeholders or target groups are addressed by the ESG rating provider?
3. Which sustainability dimensions (E, S, and G) are included within the sustainability assessment?
4. Does the ESG rating primarily capture sustainability risk, sustainability performance, sustainability impact, or a combination of these dimensions?

Notes

2. Sustainability Information and Data Sources

Possible guiding questions may include:

1. What kind of data sources are utilized for data collection?
2. Which types of sustainability-related information are used within the rating process?
3. To what extent are regulatory disclosures, standards, frameworks, or certifications integrated into the rating process?

Notes

3. Measurement and Aggregation Process

Possible guiding questions may include:

1. How are individual sustainability indicators translated into aggregate ESG ratings?
2. Which categories and indicators are weighted most strongly within the assessment?
3. To what extent does the ESG rating process appear transparent and understandable?
4. Are sustainability indicators standardized across firms or adapted to industries and sectors?

Notes

4. Reflection on ESG Rating Methodologies

Possible guiding questions may include:

1. What are potential strengths and limitations of the ESG rating methodology?
2. To what extent could investors benefit from using this ESG rating approach compared to relying on individual sustainability indicators or raw sustainability data?
3. Which ESG rating provider appears most suitable for different sustainable investment objectives?
4. Which methodological choices could contribute to divergence across ESG ratings from different providers?

Notes

Comparative Synthesis Table

Use the following table to summarize the key features of the provider analysed by your group.

Criterion	**Notes**
Name of ESG rating / data provider	
Main objective(s) of the provider	
Main target group(s)	
Sustainability dimensions included	
Main data sources used	
Role of disclosures / standards / certifications	
Aggregation logic	
Transparency of methodology	
Standardized or sector-specific indicators	
Main strength of the methodology	
Main limitation of the methodology	
Likely source(s) of divergence compared to other providers	
Usefulness for investors	

Suggested Presentation Structure

Lecturers may encourage groups to structure their presentation along the following dimensions:

1. Introduction of the ESG rating provider
2. Sustainability-related information and data sources
3. Measurement and aggregation methodology
4. Strengths and limitations of the methodology
5. Final reflection and assessment by the group

Group Summary for Plenary

Prepare a short summary of approximately **120–150 words** that includes:

1. one sentence on what the provider mainly aims to measure;

2. one sentence on which data sources and information types are most central;
3. one sentence on how the provider translates information into an ESG rating;
4. one sentence on the main strength and main limitation of the methodology;
5. one sentence on why this provider may produce results that differ from other ESG rating providers.

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Debrief Notes for the Plenary

Keep the following distinctions explicit in the discussion:

- Different ESG rating providers may not be measuring exactly the same thing.
- Differences in data sources, aggregation logic, and weighting can lead to divergent outcomes.
- Divergence is not necessarily an error; it may also reflect different objectives or methodological choices.
- Investors should understand what a rating is designed to capture before using it in decision-making.
- ESG ratings can be useful, but they are not a substitute for critical analysis of underlying data and methodology.

Materials Needed for the Exercise

- this handout;
- access to provider methodology documents, websites, reports, or factsheets;
- optional sustainability reports, regulatory disclosures, or external descriptions of the provider;
- presentation slides or flipchart for group presentation.