

ESG metrics and ratings: Mapping and gap analysis study

The sustainable finance transition is currently under way and as such, ESG metrics¹ and ratings² represent an increasingly important tool for integrating sustainability considerations into the investment process. However, variations in methodologies adopted by ESG rating providers – including how the materiality of environmental and social performance is assessed and reflected in ratings – can make it difficult for investors and stakeholders to compare firm performance in a consistent and meaningful manner. Furthermore, the credibility of ESG financial products and labels can be undermined where their relationship to a firm’s financial and well as actual environmental and social performance is not clear.

Greater alignment, interoperability and transparency of ESG metrics and rating methodologies has been identified as one of the three priority areas of the G20 sustainable finance working group (SFWG) [roadmap](#), officially endorsed on October 13th, 2021. One expected outcome listed in the Annex of the roadmap is for the OECD to contribute towards improving data quality, usefulness, and transparency of methodologies, such as metrics choices and weightings, from ESG rating agencies and other sustainability data providers. Through this study, the OECD Centre for Responsible Business Conduct (RBC) seeks to contribute to this outcome by understanding how ESG metrics and ratings interrelate amongst providers, how they conceptualize and reflect materiality and how they align with RBC principles and standards, to promote clarity and contribute towards reducing the risks of green and SDG-washing.

To support these aims, the OECD Centre for Responsible Business Conduct has launched a study, seeking to enhance understanding of how ESG ratings providers’ methodologies work and vary, including in understanding their metrics and sub metrics, their methodologies for weighting or classifying them as material, and to what extent metrics integrate and are aligned with international standards of RBC, including expectations contained in the OECD Guidelines for Multinational Enterprises and the OECD Due Diligence Guidance for RBC. Through the study, the OECD is also looking to help investors leverage ESG ratings for their own due diligence, particularly in light of emerging legislation on sustainable finance and sustainable corporate due diligence, which draw heavily from OECD standards of RBC.

This study supports the [OECD’s financial sector project](#) and seek to strengthen understanding of ESG metrics and ratings and the extent to which they are aligned with actual environmental and social performance. The OECD Centre for RBC, with the help of consultants, is currently undertaking a mapping exercise of ESG metrics of nine leading ESG ratings providers and two ESG reporting frameworks and conducting interviews to understand their methodologies, particularly with respect to how “materiality” of ESG factors is assessed and reflected in ratings and the relationship environmental and social impacts over the near, medium and long-term and the perceived relationship to financial performance. The study considers how current metrics and methodologies align with each other (assessment and gap analysis) and with OECD RBC standards. The object of this work is to:

1. **Map existing ESG metrics from main ESG rating providers** (and from disclosure frameworks and standards and benchmarking initiatives to the extent those frameworks support the metrics);
2. **Conduct analysis of alignment and discrepancies of ESG metrics and ratings methodologies**, with a particular emphasis on how they assess materiality;
3. **Conduct a benchmarking of ESG metrics** (and ratings methodologies as feasible) against OECD RBC standards (i.e., MNE Guidelines and to the extent practicable, the Due Diligence Guidance).

¹ The term “ESG metrics” can refer to quantitative and qualitative data and standards commonly used for assessing, comparing and tracking performance of companies in term of environmental, social and governance aspects (including their exposure to and management of ESG risks).

² The term “ESG ratings” can refer to the broad spectrum of ESG data products in sustainable finance and include ESG scorings and ESG rankings. ESG ratings, rankings and scorings serve the same objective, namely the assessment of an entity, an instrument or an issuer exposure to ESG risks and/or opportunities through consolidation and weighting of ESG metrics.