European Journal of Humanities and Social Sciences 2026, No 5
ISSN 2414-2344

PREMIER Publishing
ppublishing.org

Section 1. Business economics

DOI:10.29013/EJHSS-26-5-3-7

SUSTAINABILITY RATINGS AS THE KEY BENCHMARK FOR GLOBAL BUSINESS

Mzevinar Nozadze [1]***, Giga Pertia*** [2]

[1] Doctor of Economics, Associate professor of Faculty Business Technologies, Georgian Technical Univetrsity.

[2] PhD Student, Caucasus International University, Tbilisi, Georgia

Cite: *Nozadze M., Pertia G. (2026). Sustainability Ratings as the Key Benchmark for Global Business. European Journal of Humanities and Social Sciences 2026, No 5.* https://doi.org/10.29013/EJHSS-26-5-3-7

Abstract

The contemporary global economy is experiencing a profound shift toward sustainability. If decades ago, business success was measured only by the size of profits and losses, today the rules of the game have changed radically. In today's corporate landscape, sustainability ratings have emerged as a pivotal mechanism, shaping not only a company's reputation but also its financial performance and social responsibility. Sustainability Ratings are not just a symbolic gesture of environmental responsibility, but rather a strategic and strictly calculated economic decision. Ignoring ESG standards in the global market poses a serious strategic risk for companies, which means both limiting access to cheap financial resources and reducing demand from responsible consumers.

The main goal of the article is to demonstrate the role of sustainability rating as a fundamental criterion determining the use of modern business, and to justify its members and operational members of commercial companies. Sustainability.

The article is based on a complex theoretical analysis, where several methods are described. In particular, the descriptive (descriptive) and previous analysis method and the second data processing method, based on official reports and statistics of international financial institutions, rating agencies and leading technology companies.

Keywords: *Sustainability Rating, ESG rating, Benchmark, DJSI World (Dow Jones Sustainability World Index), Global Business*

Introduction

Sustainability Rating – Based on the general philosophy of sustainable development (e.g. the UN's 17 Sustainable Development Goals – SDGs). Focus: Measures the company's real impact (Impact) on the

environment, society and the well-being of future generations. The question it answers is: "To what extent does this company contribute to the sustainable development of the world and a better future.

ESG Rating (ESG Rating): Specific and standardized framework: presents specific, measurable criteria (Environmental, Social, Governance). This rating primarily measures financial materiality and risks – that is, how environmental, social and governance factors affect the financial sustainability and stability of the company. In addition, sustainability defines the strategic vision and social responsibility of a business, and ESG ratings serve as a global benchmark and evaluation standard by which investors verify the reality of a company's claim.

Results analysis

In the modern global market, ESG (Environmental, Social and Governance) ratings have become the main indicator for evaluating companies. This sustainability assessment system determines business activities in several fundamental directions:

— Investment attraction and financial benefits: A high sustainability rating directly impacts investor decisions, as it increases access to cheap capital and increases the overall market value of the company.

— Competitive advantage and reputation: International companies use ESG indicators as a benchmark to gain an advantage over competitors and strengthen brand trust.

— Global standards and transparency: Compliance with ESG ratings ensures compliance with international regulations (e.g., EU CSRD) and high transparency of organizational reporting.

These theoretical and pragmatic issues are increasingly taking an active place in modern scientific discourse.

High Sustainability firms are characterized by a distinct corporate governance model that focuses on a wider range of stakeholders as part of their corporate strategy and business model (Robert G. Eccles, 2014).

Appropriate evaluation systems serve as the critical link between the practical realization of this strategic vision and investment decisions. ESG ratings and metrics are an important foundation for the field of sustainable finance. Theory predicts that investor preferences for ESG affect asset prices. In practice, however, investment choices are guided by ESG ratings, making the construction of and disagreement among ESG ratings a central concern (Berg, 2022).

Transforming these components into measurable indicators ensures the creation of ESC ratings that represents foundation of sustainable finance today. ESG comprises three core pillars – Environmental, Social, and Governance – used to evaluate acompany's global impact and its commitment to sustainable development (Badri Giorgidze, 2026).

Among the various sustainable ratings in the global market, indices play a central role as primary guides for investors. A prominent example of this is Dow Jones Sustainability World Index (DJSI World) – one of the most influential global benchmarks. Dow Jones Sustainability World Index (DJSI World) – is a major global benchmark index evaluating the sustainability practices of leading companies. It measures and ranks the top 10% of the 2,500 largest companies in the S&P Global Broad Market Index. The index is float-adjusted market capitalization-weighted and updated annually based on revised sustainability scores.

The corporate sustainability of each company represented in the index is assessed through a complex weighting system that incorporates the economic, environmental and social dimensions of the companies. Companies failing to show continuous progress face removed from the index. Companies may also be removed between annual reviews if the index committee determines that the company is not behaving in accordance with the sustainable development guidelines.

If a company is undergoing a merger or acquisition at some point during the CSA cycle, they are supplied with additional standardized guidance for reporting their data. If a company acquires another company after the annual publication of ESG Scores, the acquiring company retains their score until the next annual assessment cycle (S&P Global, 2026).

This high level of selectivity is further reinforced by strict methodological governance during corporate restructuring. Over 12,000 companies are invited to participate in the CSA every year, but only about 3,500 of the largest companies globally are eligible for

inclusion in any Dow Jones Best-in-Class index. Thus, when a company enters the DJSI World Index (ranking within the top 10% of its industry), it receives an official endorsement of its top-tier ESG management.

To evaluate entities involved in ESG-related controversies, a system of red or orange flag indicators are employed. A red flag indicates that a company directly harms the environment, society, or corporate governance standards through its activities, products, or operations. Conversely, an orange flag points to moderate-risk controversies, predominantly concerning land use and biodiversity issues.

MSCI ESG Ratings aim to measure entities' management of environmental, social and governance risks and opportunities. MSCI ESG Ratings use a weighted average key issue calculation that is normalized by industry to arrive at an industry-adjusted ESG score (0–10) (MSCI, 2025).

A high sustainability rating provides companies with a direct financial advantage – specifically, access to lower-cost capital. A prime example of this is the rapid growth of the green bond market. Green finance and sustainable business create a synergy, where businesses integrateenvironmental, social, and governance (ESG)principles into their long-term perspective (Mzevinar Nozadze, 2025).

While sustainability ratings and ESC indicators have become the main framework for allocating capital, their real-world implementation often exposes structural methodological inconsistencies. As a result, traditional ESG metrics tend to reflect formal reporting compliance instead of the actual sustainability of a firm's core business model – a contradiction most clearly illustrated by major global market leaders.

"Paradoxical" case: Tesla's removal from the S&P 500 ESG index in 2022 represents one of the most prominent case studies in the history of ESG evaluations. What factors precipitated this situation? Tesla, the global leader in electric vehicles, which is one of the most "green" companies in terms of environmental (E), was removed from the S&P 500 ESG index. The reason: low scores in the social (S) and governance (G) areas – violations of working conditions in factories, weak corporate governance structures, and allegations of racial discrimination.

It is worth noting that in recent years MSCI has continued to award Tesla high ESG marks due to its environmental impact advancements in clean tech. This case ultimately illustrates that ESG rating is not merely a proxy for environmental friendliness – the social and governance components carry equal financial and reputational weight. Each agency evaluates ESG factors differently: while some prioritize climate risks, others place greater emphasis on human rights or supply chain ethics. Such methodological mismatch results in situation where a firm is assessed as high ESG risk by the ESG risk rating agency, yet assigned an AAA (the top mark) rating by MSCI.

To resolve this issue, the European Union and IFRS introduced mandatory reporting standards (CSRD, ISSB) aimed at unifying disclosures and ensuring rating agency methodologies are transparent and regulated. Global ESG rating system differ fundamentally in terms of target audience and evaluation criteria. The following comparison illustrates how leading institutions assess corporate sustainability.

Table 1. *Global ESG Rating Systems: Structural & Methodological Comparison*

Rating Agency	Target Audience	Primary Focus	Key Methodological Feature
MSCI ESG Ratings	Investors, Fund Managers	Financial Materiality	Evaluates corporate resilience to ESG risks on a scale from AAA to CCC.
S&P Global (CSA/ DJSI)	Global Corporations, investors	Corporate Sustainability	Utilizes the CSA questionnaire alongside daily MSA (Media and Stakeholder Analysis) monitoring

Rating Agency	Target Audience	Primary Focus	Key Methodological Feature
CSRD / ESRS (EU)	EU Regulators, General Public	Double Materiality	Measures both financial risk and the company's impact on the environment

Source: *Compiled by the author based on official methodological documents: MSCI ESG Ratings: MSCI ESG Ratings Methodology: Executive Summary (MSCI, 2023). msci.com, S&P Global (CSA/DJSI): S&P Global Corporate Sustainability Assessment (CSA) Methodology. spglobal.com*

ESG scores from major ratings providers (for which data is commercially available) can vary greatly from one ESG provider to another. The ESG scoring suffers from some level of criticism because different methodologies can lead to wide variance in results for individual issuers (Boffo & Patalano, 2020)

In developing countries, companies struggle to attain high ESG scores, as they lack the substantial resources of foreign multinational corporations required to produce complex disclosure reports.While global ESG benchmarks heavily favor large enterprise-level entities, in emerging economies like Georgia, small business represent the core drivers of sustainable commercial development. Consequently, examining how tax policy influences the financial viability of small enterprises carries profound scientific and practical relevance. Thus, the research findings confirm that the effectiveness of the new, preferential special taxation regime in the contextof small business development is multidimensional. The primary positive impact is manifested in strengthening the financialsustainability of small businesses and creating potential for development (Badri Gechbaia, 2026).

The sustainability evaluation ecosystem is undergoing a fundamental technological evolution. Traditional assessments relying on static annual non-financial reports are being superseded by artificial intelligence (AI), machine learning, and satellite monitoring. Industry leaders like MSCI and S&P Global now process vast real-time datasets, encompassing everything from media coverage and legal proceedings to high-resolution emissions mapping via satellite.

Consequently, sustainability ratings have established themselves as the definitive benchmark for global business as a comprehensive measure that integrates capital accessibility, executive accountability, and technological transparency.

Conclusion

Consequently, sustainability ratings remain a key mechanism for determining a business's long-term competitiveness and investment attractiveness.

The divergence among assessments from various agencies confirms that a sustainability rating cannot be one-dimensional; rather, it demands a balanced integration of Environmental (E), Social (S), and Governance (G) indicators. Consequently, the effectiveness of Sustainability Ratings will depend on the establishment o f unified global regulations (such as The EU CSRD) and the harmonization of assessment methodologies.

In emerging markets and the small business sector – as evidenced by the case of Georgia – flexible tax policy remains the primary catalyst for sustainability. Achieving long-term sustainable growth thus necessitates a dual approach: harmonizing global sustainable and ESG standards while strategically leveraging supportive tax instruments locally.

References

Badri Gechbaia, G. P. (2026). The Impact of Taxation on The Financial Sustainability of The Small Business Sector: An Empirical Analysis of The Georgian Experience. *Financial and Credit Activity Problems of Theory and Practice,* – 2(67). –P. 371–387. Doi: https://doi.org/10.55643/fcaptp.2.67.2026.5100

Badri Giorgidze, M. N. (2026). Green Bonds and Esg Ratings as Tools For Corporateinvestment Attractiveness. *International Journal of Innovative Technologies in Economy,* – 1(53). – P. 1–6. Doi: https://doi.org/10.31435/ijite.1(53).2026.5730

Berg, F. K. (2022). Aggregate Confusion: The Divergence of ESG Ratings. *Review of Finance,* – 26(6). – P. 1315–1344. Doi: https://doi.org/10.1093/rof/rfac033

Boffo, R., & Patalano, R. (2020). *ESG Investing: Practices, Progress and Challenges*. Paris: OECD. Retrieved from: www.oecd.org/finance/ESG-Investing-Practices-Progress-and-Challenges.pdf.

MSCI. (2025). *MSCI Select Screened Indexes Methodology.* MSCI. Retrieved from: https://www.msci.com/documents/10199/35a5d0bb-a279–845b-f1ca-3e2b04cffbc0

Mzevinar Nozadze, L. V. (2025). The Impact of Green Finance on Business Sustainability. *European Science Review* (11–12). – P. 33–36. Doi: https://doi.org/10.29013/ESR25-11.12-33-36

OneStop ESG. (no date). *Why Tesla Got Dropped From an ESG Index*. OneStop ESG. Retrieved from: https://onestopesg.com/esg-news/why-tesla-got-dropped-from-an-esg-index-1748105587456

Robert G. Eccles, I. I. (2014). The Impact of Corporate Sustainability on Organizational Processes and Performance. *Management Science,* – 60(11). – P. 2835–2857. Retrieved from: https://pubsonline.informs.org/doi/10.1287/mnsc.2014.1984

S&P Global. (2026). S&P Global ESG Scores Methodology. Retrieved from: https://portal.s1.spglobal.com/survey/documents/spglobal_esg_scores_methodology.pdf

S&P Global. (no date). *he Assessment Powering the Index (DJBICI Annual Review)*. Retrieved from https://www.spglobal.com/sustainable1/en/csa/results/djbici-annual-review

submitted 05.06.2026;
accepted for publication 19.06.2026;
published 30.09.2026
© Nozadze M., Pertia G.
Contact: nozadzemzevinar11@gtu.ge; giga.pertia@ciu.edu.ge