

Project Title: Developing a Unified ESG Framework for Investors Using LSEG and MSCI Datasets

Objective and Overview

The primary objective of this project is to develop a unified Environmental, Social, and Governance (ESG) framework tailored for investors. Recognizing the fragmentation in current ESG ratings, we aim to create a consistent and comprehensive tool that accurately reflects a company's sustainability practices. By leveraging the LSEG (formerly Refinitiv) ESG dataset and MSCI's ESG dataset provided by Wharton's Wharton Research Data Services (WRDS), we intend to predict ESG ratings using our custom framework. This will assist stakeholders, particularly investors, in making data-driven decisions regarding sustainable investments.

Background and Motivation

Sustainability has become a pivotal concern for investors and consumers alike. However, the ESG ratings landscape is highly fragmented, with various rating agencies employing different methodologies and metrics. This inconsistency leads to conflicting assessments of a company's ESG performance, posing challenges for investors seeking reliable and comparable information. Our project addresses this issue by developing a unified framework that consolidates key ESG factors relevant to investors.

Previous Approaches

Historically, ESG ratings have been determined by agencies like MSCI, Refinitiv, and Sustainalytics, each using proprietary models and data sources. These models often differ in indicator selection, weighting schemes, and evaluation methods, resulting in disparate ratings for the same company. Previous research has attempted to reconcile these differences through aggregation or by applying machine learning techniques to predict ESG scores. However, these approaches have not fully resolved the fragmentation problem, as they often rely on the same inconsistent underlying data.

We will utilize the following datasets:

- **LSEG (Refinitiv) ESG Dataset:** Offers extensive ESG metrics, including environmental impact, social responsibility, and governance factors for a global array of companies.
- **MSCI ESG Dataset:** Provides ESG ratings and detailed metrics used by MSCI, accessible through Wharton's WRDS.

Team Members

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