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The Consequences of ESG Rating Divergence on Corporate Transparency and Disclosure Practices

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Abstract: *This study aims to examine the consequences of ESG rating divergence on corporate transparency and disclosure practices using a Systematic Literature Review (SLR) approach. Twenty papers that satisfy the inclusion criteria are identified, screened, and subjected to content analysis as part of the study's investigation of international journal articles published between 2022 and 2026 and indexed in Scopus, Sinta and Garuda. The findings show that variations in rating agencies' evaluation techniques, indicators, weighting schemes, and data sources lead to ESG rating divergence, which can lead to information confusion and impact investor views in the capital markets. In order to lessen information asymmetry and boost stakeholder trust, the literature demonstrates that variations in ESG ratings motivate businesses to strengthen disclosure policies and increase openness. Reducing rating inconsistencies is found to be mostly dependent on improved ESG reporting quality, more access to sustainability data, and more robust governance structures. Additionally, corporations are driven to improve sustainability disclosure and openness by external forces like market surveillance, regulatory rules, and stakeholder expectations. Overall, the results indicate that ESG rating divergence offers corporate reporting both opportunities and challenges. While rating discrepancies may raise uncertainty, they also encourage businesses to strengthen transparency, improve disclosure quality, and increase accountability in sustainability reporting practices.*

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Introduction

As stakeholder expectations regarding corporate environmental, social, and governance accountability have intensified, sustainable business practices have garnered considerably greater attention within the global business arena in recent years. The concept of Environmental, Social, and Governance (ESG) has emerged as one of the foremost standards by which regulators and investors assess the quality of corporate governance and the long-term resilience of business strategies (Zhu et al., 2026). This is attributable to the widely held view that ESG is capable of capturing non-financial risks that are not fully reflected in conventional financial statements (Chen & Wu, 2025). Furthermore, the evolution of ESG disclosure practices demonstrates that sustainability reports now function as strategic instruments for cultivating corporate credibility and legitimacy in the eyes of stakeholders (Manik et al., 2026). This is further supported by evidence that sustainability reporting serves as a mechanism for communicating economic, environmental, and social performance to stakeholders while reinforcing corporate accountability (Prasetyawati et al., 2025)

Nevertheless, as ESG rating systems have grown increasingly sophisticated, a novel set of challenges has emerged concerning the consistency of assessments across different rating agencies. Divergent ESG scores assigned to the same firm are frequently attributable to disparities in methodology, measurement indicators, and analytical approaches employed by rating agencies a phenomenon commonly referred to as ESG rating divergence, wherein multiple rating agencies assign materially different ESG evaluations to a single company (Wang & Liu, 2025). Such inconsistencies are liable to generate considerable confusion among investors, as corporations may receive markedly different ESG ratings depending on the agency consulted (Oehler & Neuss, 2025). Within the context of financial markets, this condition has the potential to erode the credibility of ESG rating systems and undermine the function of ESG as an instrument for evaluating corporate sustainability (Agapova et al., 2025).

ESG Rating Divergence encompasses challenges pertaining to rating system architecture and market data quality. Under such circumstances, corporations are compelled to enhance the quality of their communications, as discrepancies in assessments may produce informational uncertainty that renders it difficult for investors to objectively evaluate the sustainability trajectory of a firm's performance (Ren, 2025). Moreover, inconsistencies in sustainability signals received by the market may also shape investor perceptions regarding corporate reputation and associated risk profiles (Hu & Wang, 2026). In addition, sustainability-related disclosures such as carbon emission reporting function as critical communication tools that transmit environmental performance information and reduce information asymmetry between firms and stakeholders ((Fransisca et al., 2024)

From a corporate management perspective, disclosure practices and corporate transparency constitute critical mechanisms for mitigating informational asymmetries between management and stakeholders. Reliable information disclosure can enhance the prevailing quality of market information and reinforce investor confidence in corporate reporting (Zhu et al., 2026). Sustainability information disclosure is widely regarded as an indispensable instrument for augmenting corporate transparency and bolstering the credibility of ESG reports (Chen & Wu, 2025). Empirical evidence also indicates that high-quality ESG disclosures significantly enhance financial transparency and improve stakeholders' understanding of corporate risks and opportunities (Silaban, 2025)

Notwithstanding this, the academic literature continues to yield heterogeneous empirical results concerning the relationship between ESG Rating Divergence and Disclosure Practices. A number of studies contend that superior ESG disclosure can mitigate divergence in ESG assessments by furnishing rating agencies with more comprehensive information (Zhang et al., 2025). However, other research has established that ESG disclosure does not always reflect genuine transparency, as corporations may resort to symbolic disclosure tactics in order to manage stakeholder perceptions (Agapova et al., 2025). In certain circumstances, the complexity of ESG information may even exacerbate assessment divergence among rating agencies, thereby amplifying ESG rating differences (Oehler & Neuss, 2025). Similarly, prior studies highlight that variations in ESG implementation and disclosure practices may lead to differing corporate behaviors, particularly in relation to transparency and ethical decision-making

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(Yusnidar et al., 2026).

Recent scholarship indicates that ESG Rating Divergence can exert a strategic impact on business operations. ESG rating discrepancies may influence corporate strategies relating to innovation, communication, and sustainability reporting practices, with downstream effects on investor decision-making (Ren, 2025). In such contexts, firms typically respond by augmenting the volume of ESG information disclosed, with the objective of rehabilitating their market image and attenuating informational confusion (Yuan et al., 2025).

The study of ESG Rating Divergence has expanded considerably in recent years. However, the preponderance of prior research has concentrated predominantly on the antecedents of ESG rating divergence across different rating institutions. Other bodies of work have placed greater emphasis on the impact of ESG Rating Divergence on corporate performance, investment decisions, or firm-level innovation (Ren, 2025). Still other studies have foregrounded the role of methodological variation in rating approaches, the quality of voluntary disclosures made by corporations, and media attention directed at sustainability issues (Chen et al., 2025).

In light of these limitations, the present study seeks to investigate how ESG rating divergence impinges upon corporate transparency and disclosure practices. It is anticipated that this investigation will yield a more nuanced understanding of how companies navigate informational uncertainty arising from ESG rating discrepancies (Zhu et al., 2026). Furthermore, it is envisaged that this study will enrich the existing body of literature pertaining to corporate transparency within the context of sustainability reporting (Yuan et al., 2025). Accordingly, this research has the capacity to make an empirical contribution to the understanding of corporate sustainability reporting dynamics in a business environment that is placing ever-increasing emphasis on sustainability (Agapova et al., 2025).

More specifically, this study integrates the conceptual frameworks of ESG Rating Divergence and Corporate Transparency to elucidate the dynamics of sustainability information disclosure practices. The study aspires to make both theoretical and practical contributions to understanding the relationship between ESG rating inconsistencies and the consensus surrounding corporate transparency as manifested through Disclosure Practices. This distinguishes the present inquiry from prior research, which has concentrated predominantly on the causal factors or economic consequences of ESG rating variation (Oehler & Neuss, 2025).

Literature Review

Agency Theory

Agency Theory delineates the contractual relationship between corporate owners (the principal) and managers (the agent), a relationship that is inherently susceptible to conflicts of interest and informational asymmetry within organizations. Jensen & Meckling (1976) posit that managers frequently possess broader informational access than corporate owners, thereby necessitating the implementation of transparency mechanisms and information disclosure to narrow this informational gap. Within the context of sustainability reporting, ESG disclosure practices can serve as a vehicle for enhancing managerial accountability and attenuating informational uncertainty for investors. When ESG rating divergence emerges across rating agencies, corporations typically endeavour to elevate the quality of information disclosure in order to restore the credibility of market data (Zhu et al., 2026).

Stakeholder Theory

Stakeholder Theory asserts that a corporation bears responsibility not solely to its shareholders, but to a diverse constellation of groups including employees, communities, and governmental bodies. Freeman (1984) argues that corporate success is substantially contingent upon how effectively a firm can satisfy the expectations of its various stakeholders. In the context of sustainability, ESG information disclosure assumes a pivotal role in enabling corporations to demonstrate their commitment to social and environmental responsibility. Firms subjected to significant stakeholder pressure tend to enhance sustainability-related disclosure practices in order to reinforce their legitimacy and cultivate public trust in their operational conduct (Li & Zhang, 2025).

Legitimacy Theory

Legitimacy Theory explicates the manner in which corporations strive to maintain social

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recognition by ensuring that their operational activities remain consonant with prevailing societal norms and values. Suchman (1995) contends that organisational legitimacy can be preserved through diverse communicative channels, including information disclosure that demonstrates commitment to social and environmental responsibility. Within the ESG domain, sustainability communication is frequently deployed as a means of signalling that a corporation operates in alignment with societal expectations. Should inconsistencies arise in ESG assessments, firms may augment transparency and expand information disclosure as a proactive strategy for safeguarding social recognition (Agapova et al., 2025).

ESG Rating Divergence

ESG Rating Divergence refers to the phenomenon whereby different rating agencies assign divergent ESG assessment outcomes to the same company. Such variation in assessment results is typically attributable to differences in rating methodologies, the indicators employed, and the data processing approaches applied to available ESG data (Wang & Liu, 2025). (Y. Wang & Liu, 2025). Given that a company's ESG score may vary considerably depending on the rating agency consulted, such inconsistency in ESG assessments has the potential to generate informational confusion for investors (Oehler & Neuss, 2025) In such circumstances, it becomes considerably more difficult for investors to arrive at objective judgments regarding the sustainability performance of a business (Agapova et al., 2025). Furthermore, ESG rating divergence may erode the credibility of the ESG rating system, and ESG may consequently cease to function effectively as an instrument for evaluating corporate sustainability within capital markets (Ren, 2025).

A number of studies have demonstrated that ESG assessment inconsistency is also associated with opacity in corporate data concerning sustainability activities. In instances where available ESG information is limited or insufficiently comprehensive, rating agencies tend to employ a variety of approaches and assumptions when evaluating corporate sustainability performance (Chen et al., 2025). Consequently, improvements in ESG disclosure quality can contribute to a reduction in assessment divergence by furnishing rating agencies with more complete and verifiable information (Zhu et al., 2026).

Corporate Transparency

Corporate Transparency refers to the extent to which a corporation openly furnishes material and timely information to its stakeholders. Corporate openness is a fundamental determinant of sound governance, as it can effectively mitigate information mismatches between management and investors (Zhu et al., 2026). A higher degree of transparency enables stakeholders to obtain clearer insights into a company's financial condition, strategic plans, and the risks it confronts (Chen & Wu, 2025). In the sustainability domain, corporate transparency extends beyond the disclosure of financial information to encompass data relating to the social and environmental impact of corporate activities. More transparent ESG disclosure affords investors and analysts a more holistic understanding of corporate sustainability performance (Yuan et al., 2025). Furthermore, corporate transparency can enhance the consistency of ESG evaluations insofar as rating agencies are afforded access to more comprehensive and standardised information regarding sustainability activities (Oehler & Neuss, 2025). Corporate transparency therefore assumes a central role in elevating the quality of market information and reinforcing the credibility of sustainability reports presented by corporations (Li & Zhang, 2025).

Disclosure Practices

Disclosure Practices refer to the policies and actions adopted by corporations when providing information to their stakeholders, whether through mandated or voluntary disclosure channels. The purpose of corporate information disclosure is to supply relevant and reliable data to investors as they undertake decision-making processes (Zhu et al., 2026). Within the Environmental, Social, and Governance (ESG) context, disclosure typically encompasses data pertaining to environmental policy, social responsibility, and corporate governance practices (Li & Liu, 2025).

ESG information provision can contribute to enhanced corporate transparency and reinforce

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investor confidence in corporate sustainability reports (Yuan et al., 2025). Moreover, comprehensive sustainability disclosure enables rating agencies to access more granular information relating to corporate ESG activities (Li & Zhang 2025). When corporations confront significant discrepancies in ESG assessments, they frequently augment both the quality and volume of disclosed information in order to alleviate market uncertainty (Ren, 2025). Disclosure practices therefore constitute a vital instrument through which corporations can enhance transparency and reinforce accountability in sustainability reporting to their diverse stakeholder constituencies (Agapova et al., 2025).

Method

In this study, the Systematic Literature Review (SLR) method constitutes the qualitative approach of choice, given its capacity to furnish a comprehensive synthesis of the literature through a rigorous process of identification and critical evaluation, as well as its ability to integrate findings from a broad range of relevant studies. By employing this approach, the researcher is able to systematically analyse the academic literature to examine how variables such as ESG assessment inconsistency, the degree of corporate transparency, and corporate information disclosure practices interrelate. This methodology not only facilitates the identification of relational patterns among variables but also enables a thorough examination of the state of scholarship pertaining to ESG assessment inconsistency and its implications for corporate information disclosure.

The study concentrates on scholarly articles published between 2022 and 2026. The selection of this timeframe was motivated by the marked increase in academic attention directed at ESG reporting practices and corporate sustainability issues in recent years. Furthermore, the phenomenon of ESG rating divergence has emerged as a significant concern within the literature, given that discrepancies among ESG rating agencies can influence investor perceptions of corporate transparency and reporting credibility. The research period was therefore deemed appropriate for capturing the most recent developments in the relationship between ESG rating divergence, corporate transparency, and Disclosure Practices.

To streamline the literature retrieval process, multiple academic databases, including Scopus, GARUDA and SINTA were employed to conduct article searches. The keywords utilised in the literature search comprised: ESG rating divergence, ESG rating disagreement, corporate transparency, ESG disclosure, sustainability reporting, and disclosure practices. The application of these keywords was intended to retrieve articles that directly address ESG assessment inconsistency and its implications for corporate transparency and disclosure practices.

Several inclusion criteria were applied in the selection of articles for this study. These criteria are as follows: (1) research addressing the phenomena of ESG rating divergence, corporate transparency, and Disclosure Practice; (2) publication dates falling between 2022 and 2026; (3) articles written in the English language; (4) articles originating from Scopus, SINTA, or GARUDA; and (5) articles accessible in full text. The literature selection process was conducted incrementally, proceeding through initial identification, screening based on title and abstract, and a comprehensive evaluation of article content.

Content analysis was employed as the method for systematically extracting research data by identifying the salient components of each article under analysis. This analytical process was conducted manually, with the objective of producing a thematic synthesis capable of elucidating how ESG assessment inconsistency influences the degree of corporate transparency, as well as the relationship among ESG rating divergence, corporate transparency, and Disclosure Practice. The extracted elements also encompass publication year, journal source, country of research, theoretical frameworks employed, research variables, and research methodologies.

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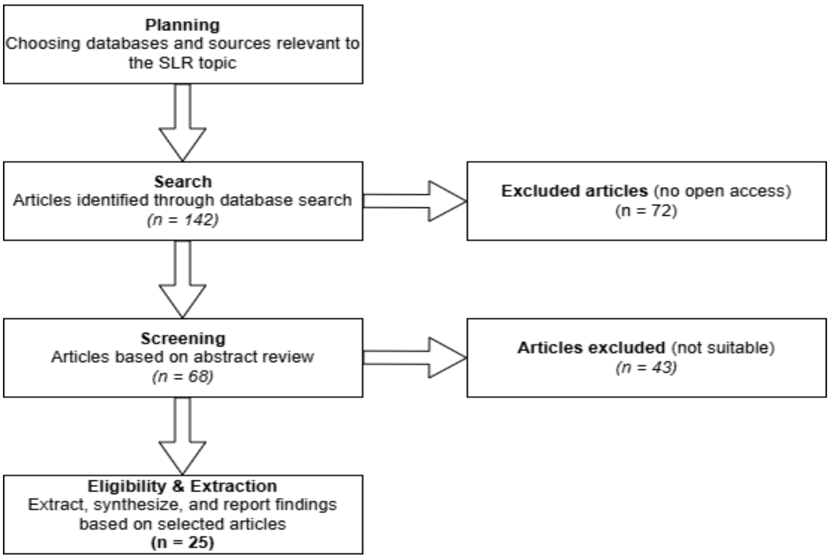

Figure 1. Source Information from the Systematic Literature Review (SLR) Protocol

The initial search yielded 110 articles retrieved through database searches using keywords pertinent to the topics of ESG rating divergence, corporate transparency, and Disclosure Practice. As 65 of these articles were not available in open access, they were excluded at the initial selection stage. A total of 45 articles proceeded to the subsequent stage. The screening process then commenced with an examination of whether each article's abstract, research focus, and scope of discussion were commensurate with the research topic. In this process, 25 articles were eliminated on the grounds that they did not address the impact of ESG rating divergence on corporate transparency and disclosure practices.

Upon completion of the relevance and subject-matter evaluation stages, 25 articles satisfying all inclusion criteria were selected for further evaluation. These articles were subsequently employed for data extraction, literature synthesis, and the reporting of research findings. The article selection process in this study comprised the stages of planning, which encompassed the selection of databases and literature sources, followed by article searching, screening, and eligibility and data extraction. Figure 1 illustrates the workflow applied in the selection of these articles.

Prior Research

Research into Environmental, Social, and Governance (ESG) rating divergence indicates that variation in ESG assessments assigned by different rating agencies can influence the degree of corporate openness and the manner in which firms communicate information to the public. A number of studies have found that corporate transparency and disclosure practices can mitigate ESG assessment inconsistency across rating agencies. According to research conducted by Zhu et al. (2026), Li & Zhang (2025), Wang & Liu (2024), and Oehler & Neuss (2025), companies with higher levels of ESG disclosure tend to exhibit greater consistency in ESG ratings.

Additionally, other research demonstrates that regulatory frameworks and corporate management systems play a significant role in enhancing the transparency of ESG information. Studies conducted by Huang et al. (2025), Zhou et al. (2026), and Li et al. (2025) found that ESG-based incentives, green finance policies, and voluntary disclosure mechanisms can improve ESG information transparency through various means, including corporate data disclosure and organisational openness.

Nevertheless, several studies indicate that ESG rating divergence may exert a deleterious effect on the quality of corporate information. Research by Agapova et al. (2025) demonstrates that greater ESG disclosure does not invariably produce consistent information and may, in fact, amplify informational

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disparities across rating agencies. Furthermore, research by Ren (2025) and Hu & Wang (2026) reveals that ESG rating divergence can adversely affect corporate supply chain resilience and digital transformation initiatives. Research by Hu et al. (2025) also established that, owing to the differential methodologies, assessment indicators, and data sources employed by rating agencies, an inclination toward ESG rating divergence is not always accompanied by a commensurate improvement in transparency.

In aggregate, prior research indicates that ESG rating divergence may influence corporate disclosure and information transparency practices in multifarious ways, both by augmenting transparency and by heightening the risk of market informational uncertainty. As a consequence, further investigation is warranted to develop a more comprehensive understanding of how ESG rating divergence influences disclosure practices and trading strategies.

Tabel 1. Prior Research

Authors	Findings
Zhu et al. (2026); Zhang et al. (2025); Wang & Liu (2024); Oehler & Neuss (2025); Chen et al. (2025); Yuan et al. (2025); Liu et al. (2026); Li & Zhang (2025); Cao et al. (2025); Li & Le (2026); Liu et al. (2024); Chen & Wu (2025); Huang et al. (2025); Zhou et al. (2026); Li et al. (2025); Silaban (2025); Fransisca et al. (2024); Manik et al. (2026); Prasetyawati et al. (2025); Yusnidar et al. (2026)	(+)
Agapova et al. (2025); Ren (2025); Hu & Wang (2026); Hu et al. (2025)	(-)
(+) Positive Effect, (-) Negative Effect	

Results and Discussion

Journal Classification Based on Identity, Index, and Number of Journals

This study analyses 25 scholarly articles published across various academic journals. Table 2 shows that *Finance Research Letters* contributed the highest number of articles with 6 publications (24%), followed by the *International Review of Financial Analysis* with 5 articles (20%), and the *Pacific-Basin Finance Journal* with 2 articles (8%). The remaining journals each contributed one article (4%), resulting in a total percentage distribution of 100%. This distribution indicates that the financial literature has undergone considerable transformation in its approach to ESG studies, particularly with regard to risk management, corporate transparency, and capital markets.

In substantive terms, the preponderance of studies demonstrates that corporate transparency and disclosure practices contribute significantly to the reduction of ESG rating divergence. Improvements in ESG disclosure quality, whether through voluntary disclosure or annual reporting, have been shown to enhance the transparency of corporate information and reduce ESG assessment divergence across rating agencies. Furthermore, it was found that firms can be motivated to enhance disclosure practices and strengthen ESG rating consistency through elements such as ESG report readability, media attention, green finance policy, and cross-listing.

Notwithstanding this, several studies indicate that ESG rating divergence across agencies can generate informational uncertainty for investors and potentially intensify market asymmetry. Additionally, ESG rating divergence may exert influence on various dimensions of business performance, including supply chain stability and digital transformation.

Table 2. Journal Identity and Number of Articles

No	Journal Name	Journal Index	Total Article	Percentage
1.	Pacific-Basin Finance Journal	Q1	2	8%
2.	Finance Research Letters	Q1	6	24%
3.	International Review of Financial Analysis	Q1	5	20%
4.	Economic Modelling	Q1	1	4%
5.	International Review of Economics and Finance	Q1	1	4%
6.	Government Information Quaterly	Q1	1	4%

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7.	China Journal of Accounting Research	Q1	1	4%
8.	Journal of Business Research	Q1	1	4%
9.	North American Journal of Economic and Finance	Q1	1	4%
10.	Journal of Enviromental Management	Q1	1	4%
11.	Qubahan Academic Journal	Q2	1	4%
12.	Jurnal Ilmiah Akuntansi Kesatuan (JIAKES)	SINTA 2	1	4%
13.	Jurnal Akuntansi	SINTA 3	1	4%
14.	Dinasti International Journal of Economics, Finance & Accounting (DIJEFA)	SINTA 3	1	4%
15.	Jurnal Akademik Ekonomi dan Manajemen (JAEM)	GARUDA	1	4%
	Total		**20**	**100%**

In aggregate, the body of research reviewed demonstrates that ESG rating divergence exerts a significant impact on corporate transparency and disclosure practices, both in the form of enhanced transparency and the emergence of informational uncertainty. This confirms that research into the consequences of ESG rating divergence for corporate transparency and disclosure practices remains pertinent and merits continued scholarly investigation.

Journal Index Identification

Based on the publication quality mapping presented in Table 3, the articles employed in this study originate from a diverse range of journal index classifications, including international journals indexed in Scopus at the first quartile (Q1) and second quartile (Q2) levels, as well as nationally indexed journals under the SINTA and GARUDA systems. The majority of the analysed articles were published in Scopus Q1 journals, indicating that research on ESG rating divergence in relation to corporate transparency and disclosure practices has attracted substantial attention within the global academic literature and has been developed using rigorous methodological standards.

The presence of studies published in Q2 and nationally indexed journals further demonstrates the growing scholarly interest in ESG-related issues across different academic contexts. These studies emphasise the role of ESG disclosure in enhancing the quality of corporate information, improving accountability, and reducing informational uncertainty in capital markets, reflecting the increasing recognition of ESG as a strategic instrument in corporate governance, transparency, and risk management.

Overall, the journal index distribution indicates that the analysed literature is supported by a strong foundation of high-quality academic sources, particularly from Scopus-indexed journals. This strengthens the validity of the systematic literature review conducted in this study and demonstrates that scholarly discourse on the consequences of ESG rating divergence for corporate transparency and disclosure practices continues to expand across both international and national academic research environments.

Tabel 3. Journal Index

No.	Index	Total	Percentage
1.	Q1	20	80%
2.	Q2	1	4%
3.	SINTA 2	1	4%
4.	SINTA 3	2	8%
5.	GARUDA	1	4%
	Total	**20**	**100%**

Dependent Variables

In this study, the dependent variables reflect the consequences of ESG rating divergence on corporate transparency and disclosure practices. Based on the mapping of the 25 articles analysed, the preponderance of studies employs dependent variables associated with corporate transparency and ESG disclosure,

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reflecting corporate endeavours to enhance information quality in response to the uncertainty generated by ESG rating discrepancies.

Table 4. Dependent Variables

No.	Dependen Variable	Total Article	Persentage
1.	Corporate Transpancy / ESG Disclosure	8	32%
2.	ESG Rating Divergence	5	20%
3.	Corporate Value and Economic Consequences	5	20%
4.	Information Asymmetry	4	16%
5.	Corporate Operational Impact	3	12%
	Total	**25%**	**100%**

Independent Variables

In this study, the independent variables encompass a range of factors influencing ESG rating divergence, corporate transparency, and disclosure practices. Based on the mapping of the 25 articles analysed, the preponderance of studies focuses on elements such as ESG disclosure, media attention, regulatory policies, and market mechanisms that influence ESG rating consistency. These variables are employed throughout the related literature.

Table 5. Independent Variables

No.	Independent Variable	Total Articles	Persentage
1.	ESG Rating Divergence	7	28%
2.	ESG Disclosure/ Information Transparency	6	24%
3.	Market and External Factors (Media Attention, Cross-Listing, Investor Interaction)	5	20%
4.	Policies and Regulations (Green Finance Policy, Securities Law, Open Government Data)	4	16%
5.	Corporate Characteristics and Managerial Incentives	3	12%
	Total	20	100%

Discussion

ESG Rating Divergence in the Financial and Accounting Literature

Within the financial and accounting literature, the phenomenon of ESG rating divergence whereby ESG assessments assigned to the same company by different rating agencies diverge substantively has attracted growing scholarly attention. This phenomenon arises because individual ESG rating agencies maintain distinctive assessment methodologies, employ different indicators, and draw upon different data sources in their analyses. Research demonstrates that the ESG information received by investors and other relevant parties may be inconsistent as a consequence of these methodological divergences (Zhu et al., 2026). Furthermore, shifts in ESG measurement indicators can affect the manner in which corporate sustainability is understood, potentially generating divergent ESG scores across different rating agencies (Wang & Liu, 2025). Other research indicates that inconsistencies in ESG evaluation approaches impede investors from objectively assessing the quality of corporate sustainability performance (Oehler & Neuss, 2025).

From an accounting standpoint, ESG rating divergence is closely associated with corporate information disclosure practices. Several studies demonstrate that increased transparency and ESG disclosure quality can attenuate ESG rating divergence across agencies. For instance, research has found that companies with more comprehensive ESG disclosure tend to exhibit higher ESG rating consistency (Li & Zhang, 2025). This is attributable to the fact that various stakeholders are better positioned to verify available data, thereby producing fewer discrepancies in the assessment process.

Moreover, the literature draws attention to the role of corporate policies and governance in influencing the degree of ESG rating divergence. ESG-based incentives and green finance policies have been demonstrated to encourage corporations to improve the quality of their sustainability reporting

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(Huang et al., 2025). Other research indicates that the implementation of more robust corporate governance mechanisms such as internal oversight systems and ESG audits can enhance the consistency of information pertaining to how companies conduct themselves.

However, research has demonstrated that ESG rating divergence does not invariably benefit corporate information transparency. The majority of studies finds that where rating agencies employ markedly different evaluation methodologies, greater ESG disclosure can actually give rise to greater informational disparities (Agapova et al., 2025). Furthermore, ESG rating inconsistency may affect corporate strategic choices, such as long-term sustainability strategies and supply chain management (Ren, 2025). Other research also finds that ESG rating inconsistency can impede corporate digital transformation processes, given the uncertainty regarding which ESG indicators are regarded as most salient by investors and regulators (Hu & Wang, 2026).

Viewed in its entirety, the phenomenon of ESG rating divergence constitutes a significant challenge in corporate sustainability research, according to the financial and accounting literature. Disparities in ESG assessment methodologies can influence the manner in which investors evaluate corporate risk and sustainability performance (Liu et al., 2024). Furthermore, more transparent ESG information disclosure can contribute to reduced ESG assessment inconsistency and enhance market confidence in corporate sustainability reports (Cao et al., 2025). Nevertheless, the proliferation of ESG assessment methodologies has introduced novel challenges. Further investigation is therefore required to understand how corporations can effectively manage ESG disclosure practices in the face of rating divergence from multiple agencies.

Consequences of ESG Rating Divergence on Corporate Transparency

The degree of corporate transparency in disclosing sustainability information is significantly influenced by ESG rating divergence. Variation in evaluation methodologies, assessment indicators, and data sources employed in the rating process frequently engenders the divergence in ESG assessments assigned by different agencies. ESG assessment inconsistency may influence how businesses develop their ESG information disclosure strategies in order to enhance the credibility of their sustainability reports and mitigate investor uncertainty (Zhu et al., 2026). Given that more comprehensive and readily verifiable information is made available to various rating agencies, companies with higher degrees of transparency tend to be better positioned to reduce ESG rating divergence (Oehler & Neuss, 2025).

In the domain of corporate governance, ESG rating divergence may also exert an influence on internal oversight mechanisms and corporate reporting practices. Companies confronted with ESG rating divergence tend to strengthen information disclosure practices in order to enhance the credibility of their sustainability reports. This enhancement of transparency is typically achieved through the provision of more structured ESG data, the adoption of international sustainability reporting standards, and the disclosure of supplementary information concerning environmental and social policies (Li & Zhang, 2025).

However, several studies indicate that ESG rating divergence does not invariably result in enhanced corporate transparency; rather, inconsistency in ESG assessment methodologies can generate informational uncertainty in the market, rendering it more challenging for investors to evaluate corporate sustainability performance (Agapova et al., 2025). Additionally, the literature demonstrates that corporate governance mechanisms and regulatory policies play a significant role in addressing the impact of ESG rating divergence on corporate transparency. Certain research indicates that ESG incentives and green finance policies can motivate companies to disclose superior sustainability information (Huang et al., 2025). Capital market regulations that encourage more structured ESG reporting standards can also improve corporate transparency in communicating sustainability information to investors and other stakeholders. More robust internal oversight systems and the involvement of auditors in the verification of ESG information can also enhance the reliability of sustainability data reported by companies (Zhou et al., 2026).

In its totality, ESG rating divergence influences corporate transparency in a complex and multidimensional manner. To reduce market informational uncertainty, ESG assessment divergence can

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serve as a catalyst for corporations to improve the quality of sustainability information disclosure (Liu et al., 2024). Conversely, inconsistency in ESG assessment methodologies can also engender investor hesitation in objectively evaluating corporate sustainability performance (Cao et al., 2025).

Consequences of ESG Rating Divergence on Disclosure Practices

ESG Rating Divergence exerts a discernible influence on disclosure practices, particularly with regard to transparency and the reporting of non-financial sustainability information. To meet the expectations of diverse stakeholders, companies may consider revising their information disclosure strategies a development that may be attributed to the varied indicators and methodologies employed by ESG rating agencies. Research demonstrates that companies confronted with ESG assessment inconsistency tend to improve the quality and comprehensiveness of information disclosed in their sustainability reports (Zhu et al., 2026). Furthermore, companies endeavour to expand the scope of ESG disclosure in order to provide investors and market analysts with a more comprehensive picture of their sustainability performance (Wang & Liu, 2024).

Within the accounting and sustainability reporting literature, ESG Rating Divergence is also associated with an increased propensity for voluntary corporate disclosure practices. In response to ESG assessment uncertainty emanating from multiple rating agencies, companies frequently augment both the volume and quality of information disclosed. Research demonstrates that firms are increasingly availing themselves of diverse communication channels, as voluntary disclosure practices afford them the opportunity to provide supplementary information not always captured within traditional financial reports (Li & Zhang, 2025). Furthermore, the provision of more detailed and transparent ESG data can assist investors in developing a more thorough understanding of corporate sustainability strategies (Chen et al., 2025).

Nevertheless, ESG Rating Divergence may also exert a detrimental impact on corporate data disclosure. Businesses may encounter difficulties in determining what type of information is most pertinent to disclose publicly if ESG assessment methodologies remain inconsistent. When rating agencies employ markedly different indicators, greater ESG disclosure does not invariably produce consistent information (Agapova et al., 2025). Other research further finds that uncertainty in the ESG assessment process can affect corporate decisions regarding reporting strategies and resource allocation in sustainability information disclosure practices, particularly with respect to the deployment of technology for managing and communicating ESG information (Ren, 2025).

Furthermore, the literature indicates that institutional elements and corporate governance play a significant role in modulating the impact of ESG rating divergence on disclosure practices. ESG-based incentives and green finance policies can encourage companies to improve their sustainability reporting in a more systematic manner (Huang et al., 2025). Additionally, the implementation of more robust corporate governance mechanisms including internal oversight and ESG data verification can enhance the reliability of information disclosed to the public (Zhou et al., 2026).

In aggregate, ESG rating divergence exerts a complex influence on corporate disclosure practices. To attenuate informational uncertainty in the market, ESG assessment divergence can motivate corporations to enhance the quality and transparency of sustainability information disclosure (Liu et al., 2024). Conversely, inconsistency in ESG assessment methodologies may also impede corporations from establishing the most relevant and effective reporting standards for their diverse stakeholder constituencies (Cao et al., 2025).

Conclusion

This study investigates the consequences of ESG Rating Divergence on corporate transparency and disclosure practices on the basis of an analysis of 20 articles drawn from international journals. The review demonstrates that rating agencies assign divergent ESG scores to the same company owing to differences in assessment methodologies, evaluation indicators, and ESG data sources. This situation gives rise to the inconsistent ESG information received by investors and stakeholders. Nevertheless, improvements in the quality and comprehensiveness of ESG disclosure can contribute to a reduction in assessment divergence, as companies furnish more comprehensive information that can be verified by rating agencies and market analysts (Zhang et al., 2025). Furthermore, a higher degree of information transparency enables rating agencies to access more consistent data during the ESG evaluation process

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(Zhu et al., 2026). Other research indicates that superior sustainability information disclosure can enhance the reliability of ESG assessments and instil greater investor confidence in corporate sustainability reports (Oehler & Neuss, 2025).

Conversely, ESG Rating Divergence also affects disclosure practices and the quality of market information. ESG assessment inconsistency can engender uncertainty and informational asymmetry for investors, with downstream effects on investor perceptions of corporate risk and sustainability performance (Agapova et al., 2025). Additionally, such assessment inconsistency may serve as a catalyst for improvements in governance systems and corporate sustainability reporting mechanisms (Ren, 2025). However, market demands and stakeholder interests frequently motivate companies to expand ESG information disclosure practices in order to enhance corporate accountability and transparency (Chen & Wu, 2025). Other research indicates that companies can be incentivised to disclose ESG information more broadly and in a more structured manner through strengthened investor engagement and heightened media attention (Yuan et al., 2025). Furthermore, policy support mechanisms such as green finance and capital market regulation are instrumental in motivating companies to improve their ESG information disclosure (Huang et al., 2025).

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