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Sustainability rating and moral fictionalism: opening the black box of nonfinancial agencies

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Abstract

Purpose – The purpose of this paper is to explore the practices, challenges and ethical issues underlying the fabric and dissemination of corporate sustainability ratings.
Design/methodology/approach – Based on 36 semi-structured interviews with sustainability rating practitioners, the study shows the trade-offs, ethical judgments and customizable aspects involved in rating practices, which cannot rely only on formal and predefined methods.
Findings – In contrast with the official optimistic rhetoric about the rationality and rigor of sustainability rating methods, agencies face serious challenges in the measurement and comparison of performance in this area, particularly in terms of the aggregation of scattered and fuzzy indicators, commercial pressures and the availability, materiality and reliability of the information collected. Despite these concerns, sustainability ratings do appear to be useful in improving corporate responsiveness and increasing investor awareness of the complex and difficult-to-measure aspects of nonfinancial reports.
Practical implications – Rating agencies should collaborate to set up common indicators that would be easier for firms to produce and should better separate their sustainability rating production activities from other services they offer to companies (e.g. consultancy).
Originality/value – This study contributes to the literature on the measurement and promotion of corporate sustainability by analyzing rating practices through the lens of moral fictionalism, which here refers to the human tendency to build ethical judgments on fictional but convenient and useful representations.

Keywords Corporate sustainability, Sustainability ratings, ESG, Ethical issues

Paper type Research paper

Introduction

Measuring and comparing sustainability performance has become an essential issue for companies and stakeholders alike (e.g. Boiral and Henri, 2017; Chatterji *et al.*, 2009; Igalens and Gond, 2005; Mattingly and Berman, 2006; Parguel *et al.*, 2011; Searcy and Elkhawas, 2012), and this issue has been extensively analyzed in the sustainability accounting and reporting (SAR) literature (e.g. Cho *et al.*, 2015; Cho *et al.*, 2012b; Cho and Patten, 2007; Merkl-Davies and Brennan, 2007; Moneva *et al.*, 2006). The disclosure of information on environmental, social and governance (ESG) issues is driven by the search for legitimacy in

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the eyes of various stakeholders, including financial markets, which require increasingly accurate and comparable data on corporate sustainability performance (Brown *et al.*, 2009; Cho *et al.*, 2015; Deegan, 2010; Hahn and Lülfs, 2014). However, the reliability and transparency of corporate ESG disclosures have been widely criticized in the literature (e.g. Boiral, 2016; Cho *et al.*, 2015; Hahn and Kühnen, 2013; Owen, 2006; Talbot and Boiral, 2015). Even if the information disclosed is robust and of high quality, it does not necessarily allow companies to be compared and ranked according to their ESG performance, which is necessary for socially responsible investment (SRI) decisions. As a result, various organizations have developed a number of sustainability ranking systems, such as the World's Most Sustainable Companies, the Corporate Sustainability Index, the 100 Best Corporate Citizens and the Corporate Human Rights Benchmark. Sustainability rating agencies (SRAs) – sometimes referred to as nonfinancial, extra-financial, ESG or social rating agencies – have become the main actors in the promotion of ESG or sustainability ratings (SRs) (Chelli and Gendron, 2013; Déjean *et al.*, 2004; Scalet and Kelly, 2010; Van Den Brink and van Der Woerd, 2004). As an intermediary between companies and investors, SRAs act as information brokers by organizing, transforming and redistributing information from various sources. In doing so, they bring meaning and order to complex and difficult-to-measure sustainability issues (Escrig-Olmedo *et al.*, 2010, 2014; Kotsantonis *et al.*, 2016; Rahdari and Rostamy, 2015; Windolph, 2011). Although SRAs exert an increasing disciplinary power over organizations and financial markets (Chelli and Gendron, 2013; Sauder and Espeland, 2009), their internal practices remain opaque and have not been the object of in-depth studies (Chatterji *et al.*, 2009; Chelli and Gendron, 2013; Saadaoui and Soobaroyen, 2018; Windolph, 2011). Moreover, while the validity and meaning of SRs have been questioned in the literature (Chatterji *et al.*, 2016; Delmas and Blass, 2010; Dorfleitner *et al.*, 2015; Semenova and Hassel, 2015), many stakeholders, including much of the SRI industry, assume these rankings accurately and reliably measure and compare sustainability performance. This reflects Vaihinger's philosophy of "as if" (2014), by which humans accept fictions to give order to a chaotic world.

The objective of this paper is to explore the practices, challenges and ethical issues underlying the fabric and dissemination of SRs based on the perceptions of practitioners involved in this field, including SRA analysts. This paper addresses four important issues that remain overlooked in the literature. First, the study opens the "black box" of SRAs (Chatterji *et al.*, 2009; Chelli and Gendron, 2013; Saadaoui and Soobaroyen, 2018; Stubbs and Rogers, 2013; Windolph, 2011) by providing insights from practitioners on the internal practices, trade-offs and ethical judgments underlying the rating process. Although this study is not intended to detail the formal methods used in SRs, which are mainly confidential, the interviews cast more light on the challenges and pressures faced by SRAs. Second, the paper contributes to the literature on the measurability of sustainability performance (Boiral and Henri, 2017; Capelle-Blancard and Petit, 2017; Delmas and Blass, 2010; Escrig-Olmedo *et al.*, 2017; Gray and Milne, 2004) by exploring the difficulties faced in the fabric of SRs, including in terms of information reliability, data aggregation, commensurability and the integration of qualitative aspects. Third, the study shows that, in spite of the arguable fictitiousness of SRs and the uncertainties surrounding them, paradoxically, SRs remain useful tools to promote corporate sustainability among companies and investors. Fourth, the article contributes to the SAR literature by providing a new, relevant and valuable theoretical perspective to further analyze issues such as the challenges faced by different stakeholders for measuring and comparing sustainability performance.

The remainder of the paper is organized as follows. First, the literature on SRAs is summarized and analyzed through the lens of moral fictionalism, which helps to explain the ethical and paradoxical aspects of SRs. Second, the qualitative methods used in this study are described. Third, the data analysis is centered around three critical aspects: the internal practices of SRAs, the challenges faced in the development of SRs and the role of

SRs in promoting corporate social responsibility (CSR). Contributions to the literature, managerial implications and avenues for future research are detailed in the discussion section.

The institutionalization of sustainability rating agencies

The "black box" of sustainability rating practices

The rapid growth of SRI partly explains the need to obtain reliable and comparable information on corporate sustainability performance (Dillenburg *et al.*, 2003; Diouf and Boiral, 2017; Koellner *et al.*, 2005; Kotsantonis *et al.*, 2016; Lackmann *et al.*, 2012; Richardson, 2009). SRI represents nearly 30% of management assets in the world, or more than US$22tn (Global Sustainable Investment Alliance, 2016). Credible SRI decisions presuppose that reliable SRs exist and that these can be easily used to select companies based on their ESG performance (Escrig-Olmedo *et al.*, 2010, 2014; Scalet and Kelly, 2010; Windolph, 2011). Although the development of SRs remains one of the main activities of SRAs, these agencies may offer a wide range of complementary services, including sustainability indices, ESG evaluation, country assessment, nonfinancial research, risk assessment, proxy voting, controversy monitoring, alert services, sustainability policy implementation, consulting and portfolio analysis (Eccles and Stroehle, 2018; Escrig-Olmedo *et al.*, 2014; Novethic Research, 2014; Rutledge, 2015; Saadaoui and Soobaroyen, 2018; Stubbs and Rogers, 2013; Velez-Castrillon, 2014). The development of these often highly specialized services is shaped by commercial objectives and differentiation strategies in an increasingly competitive market (Chelli and Gendron, 2013; Saadaoui and Soobaroyen, 2018). While SRAs were initially relatively heterogeneous and small, mergers and acquisitions have led to the concentration of rating services with a few major players, including MSCI, Vigeo Eiris, ISS and Sustainalytics (Avetisyan and Hockerts, 2017; Eccles and Stroehle, 2018; Novethic Research, 2014). The growth of these agencies has made it possible to diversify their competencies, internationalize their activities and improve their visibility among investors and companies (Novethic Research, 2014). The institutionalization and recognition of nonfinancial rating practices have been strengthened by the creation of certain standards, such as the Arista certification, which aims to improve the professionalism of SRAs and the quality of the information produced (Association for Responsible Investment Service, 2012).

Although the institutionalization of SRAs has significantly improved the recognition and dissemination of SRs (Bessire and Onnée, 2010; Elbasha and Avetisyan, 2018; Sauder and Espeland, 2009; Windolph, 2011), the methods, internal practices and difficulties of the rating process remain poorly studied. In the absence of transparent information on their internal operations, SRAs seem like "black boxes" (Bessire and Onnée, 2010; Déjean *et al.*, 2004; Delmas and Blass, 2010). The literature on SRs mainly focuses on the institutional context of these "black boxes," the information employed and the implications of their outputs (e.g. Adam and Shavit, 2008; Chatterji *et al.*, 2016; Chelli and Gendron, 2013; Delmas and Blass, 2010; Parguel *et al.*, 2011; Searcy and Elkhawas, 2012). Several studies have analyzed the diverse origins of SRAs, the impacts of screening practices on the performance of SRIs, and the added value of SRAs for financial markets, including risk reduction (Capelle-Blancard and Monjon, 2014; Escrig-Olmedo *et al.*, 2010; Fowler and Hope, 2007; Koellner *et al.*, 2005; Scalet and Kelly, 2010; Sodjahin *et al.*, 2017). For example, the origins and objectives of SRAs tend to shape their different conceptions of corporate sustainability and the approaches they use to measure performance in this area (Eccles and Stroehle, 2018). Schäfer (2005) identified several rating schemes used by SRAs, including risk assessment, value enhancement, industries of the future and quality management models. Yet the consolidation of SRAs, their takeover by traditional financial players (e.g. Bloomberg, Morning Star), and the increasing standardization of rating practices (Avetisyan and Gond, 2013) contribute to reducing the diversity of these rating agencies. This consolidation also seems to be refocusing SRA activities on more traditional financial objectives that may conflict with CSR values (Avetisyan and Hockerts, 2017). Overall, the role of SRAs and their rating systems with regard to the promotion of corporate sustainability remains highly controversial (Capelle-Blancard and Petit, 2017; Chatterji *et al.*, 2009; Chelli and Gendron, 2013; Delmas and Blass, 2010; Saadaoui and Soobaroyen, 2018; Stubbs and Rogers, 2013; Windolph, 2011). In a study based on public information from SRAs, Chelli and Gendron (2013) show that SRs reflect a numbers-based ideology characterized by a relatively narrow and arbitrary vision of corporate sustainability. These ratings are shaped by various linguistic strategies aimed at enhancing the perceived rigor and legitimacy of agencies while minimizing or concealing the more fundamental difficulties inherent in measuring sustainability performance. The arbitrary nature of SRAs' methods and outputs has also been highlighted by several studies that demonstrate the lack of convergence of the rankings issued by different agencies (Chatterji *et al.*, 2016; Dorfleitner *et al.*, 2015; Mooij, 2017; Semenova and Hassel, 2015). Discrepancies between ratings should encourage stakeholders and researchers using these rankings to be much more cautious about their validity as a proxy for sustainability performance (Chatterji *et al.*, 2016).

Although SRAs are reluctant to detail their rating methods (Chelli and Gendron, 2013; Delmas and Blass, 2010; Windolph, 2011) and access to this information is consequently limited, several studies have attempted to explore these methods. Saadaoui and Soobaroyen (2018) have highlighted the similarities and differences in the rating methods used, including in terms of the weighting of sustainability issues and screening criteria. These differences may explain the lack of agreement between different SRs and seem to be partly related to increasing competitive pressures and SRAs' efforts to differentiate (Benijts, 2008; Saadaoui and Soobaroyen, 2018; SustainAbility, 2018). Delmas and Blass (2010) have also illustrated the methodological differences between SRAs, particularly in terms of emphasis on various issues such as toxic emissions, regulatory compliance and the quality of sustainability disclosure. Overall, despite SRA statements on their professionalism and methodological rigor, SRs seem to be based on many trade-offs, particularly due to the lack of standardization and transparency of the data collected (Chatterji and Levine, 2006; Delmas and Blass, 2010; Graafland *et al.*, 2004; Windolph, 2011). The lack of consistency in the aggregation of often scattered, unclear and qualitative information has also been mentioned (Boiral and Henri, 2017; Capelle-Blancard and Petit, 2017; Chelli and Gendron, 2013; Igalens and Gond, 2005; Windolph, 2011). To solve this problem, a few studies have proposed implementing fuzzy logic methods to facilitate the aggregation of vague, ambiguous and heterogeneous data (Escrig-Olmedo *et al.*, 2014, 2017; Liern and Pérez-Gladish, 2018; Liu, 2007; Rajak and Vinodh, 2015). However, it remains unclear how SRAs perceive such methods and how they can be implemented in practical terms to improve the validity and rigor of SRs. These uncertainties about the feasibility of developing rigorous, comparable and commonly accepted SRs fuel criticism regarding SRA's opacity and lack of credibility (Capelle-Blancard and Petit, 2017; Chelli and Gendron, 2013; Windolph, 2011).

Generally speaking, research on SRAs leads to apparently conflicting conclusions. On the one hand, SRAs appear to be essential actors in supporting the rapid growth of SRI and facilitating the comparison of corporate sustainability performance (Déjean *et al.*, 2004; Escrig-Olmedo *et al.*, 2010, 2014; Novethic Research, 2014; Rahdari and Rostamy, 2015; SustainAbility, 2018). On the other hand, the difficulties inherent in measuring sustainability performance and the opacity of the methods used raise questions about the credibility of SRA outputs (Boiral and Henri, 2017; Capelle-Blancard and Petit, 2017; Chelli and Gendron, 2013; Windolph, 2011). Although they seem contradictory, these two conclusions are not necessarily mutually exclusive; indeed, they reflect the moral fictionalism underlying the SRA industry.

Sustainability ratings as moral fictions?
Moral fictionalism can be defined as moral claims or judgments based on convenient fictions rather than objective descriptions of reality (Eklund, 2017; Joyce, 2001, 2005; Kalderon, 2005). Although moral fictions are based on false, inaccurate or unsubstantiated statements, they tend to be collectively accepted and can even be useful to promote the common good, prevent misconduct or change individual behaviors (Nolan *et al.*, 2005; Thomas, 2012). Moral fictionalism stands in contrast to the reductionism of moral realism, which assumes the existence of objective and demonstrable ethical judgments or facts on what is right or wrong (Kalderon, 2005; Kim, 2006; Nolan *et al.*, 2005). From a fictionalist perspective, statements describing phenomena should not be considered necessarily and unequivocally true but should be seen instead as accepted and useful fictions (Nolan *et al.*, 2005; Vaihinger, 2014). In his seminal work on the philosophy of "as if," Vaihinger (2014) shows many examples of the human tendency to derive fictional and reassuring representations from the observation of phenomena and to consider those representations as accurate and accepted descriptions of reality thereafter. The moral fictionalist approach has been applied in many fields, including mathematics, morality, sociology, history, linguistics and philosophy (e.g. Balaguer, 2009; Fine, 1993; Nolan *et al.*, 2005; Vaihinger, 2014), but it has only rarely been applied in management literature. A few studies have used the moral fictionalism perspective to describe the simplifying, narrative-based and self-referential nature of theoretical developments disconnected from the description of actual facts (e.g. Grandy and Mills, 2004; Hambrick, 2007; Pfeffer, 2007; Phillips, 1995; Rasche and Behnam, 2009). For example, Grandy and Mills (2004) criticize theories and models in strategic management for tending toward hyperreality – that is, fictions based on discourses largely dissociated from the complex reality of organizations. Although these theories appear disconnected from the reality of organizations, they can be useful to give meaning to complex phenomena, to further explore issues or for educational purposes. The fictionalist perspective has also been used to describe the unsubstantial and narrative-based nature of organizational discourse (Brunsson, 1989; Santilli, 1984; Savage *et al.*, 2018; Zbaracki, 1998). According to Savage *et al.* (2018), organizational practices are embedded in fictions based on discourses and representations often dissociated from reality, but they are nevertheless useful, particularly in transforming intentions into actions: "organizations are fictions that are constructed through speech acts, props and narration, based on more general acts of pretense or make-believe—for a purpose" (p. 991).

In the same vein, the literature has shown that reassuring statements in corporate sustainability are often fictitious and dissociated from actual practices and performance (Boiral, 2013; Cho *et al.*, 2015; Hahn and Lülfs, 2014). Neo-institutional studies have demonstrated that this dissociation is shaped by impression management strategies and a search for legitimacy, as organizations face increasing external pressures around sustainability while often remaining reluctant to implement substantial changes (Boiral, 2016; Cho *et al.*, 2012b; De Villiers and Van Staden, 2011; Deegan, 2010; Hahn and Kühnen, 2013). One can assume that similar statements apply to SRAs, whose reassuring but poorly substantiated statements on the rationality and rigor of SRs often provide SRs with legitimacy and offer comfort to various stakeholders, including rated organizations, SRI practitioners and researchers using SRs as a proxy for corporate sustainability performance (Chelli and Gendron, 2013; Déjean *et al.*, 2004; Gauthier and Wooldridge, 2018; Scalet and Kelly, 2010). More specifically, one can assume that SR practices are shaped by moral fictionalism, which has three main components: the existence of collectively accepted moral or ethical judgments, the fictitious or unsubstantiated nature of such judgments and their practical utility.

First, SR practices are based on making moral judgments on companies by distinguishing between practices and activities that are ethically acceptable, or even virtuous, and those considered contrary to prevailing ESG standards (Escrig-Olmedo *et al.*, 2014; Hedesström *et al.*, 2011; Mooij, 2017). This moral dimension has shaped the history of SRAs, which were originally founded by religious congregations and social movements seeking to boycott companies or states whose behavior they considered reprehensible (Bessire and Onnée, 2010; Déjean *et al.*, 2013; Entine, 2003). Although SRAs have considerably diversified their activities, most of their services are embedded in moral or ethical assessments of a company's activities. These assessments may be based on various approaches, including negative screening (the exclusion of businesses involved in controversial sectors such as tobacco, weapons and alcohol), ESG analysis (the assessment of performance related to environmental, social and governance issues), controversy analysis (the monitoring of questionable practices through various sources) and norm-based analysis (the observation of compliance with international conventions and standards).

Second, the fictitious character of SRs is reflected in their lack of convergence (Chatterji *et al.*, 2016; Dorfleitner *et al.*, 2015; Semenova and Hassel, 2015), which suggests that sustainability performance does not represent a clearly defined or definable reality that can be unambiguously measured and compared. If one assumes that differences in rating methods (Benijts, 2008; Delmas and Blass, 2010; Saadaoui and Soobaroyen, 2018; SustainAbility, 2018) partly explain discrepancies in SRs, this may give more credence to moral fictionalism, which posits that ethical judgment does not describe reality in itself, but rather reflects convenient norms and arbitrary representation systems whose apparent accuracy and objectivity is wrongly taken for granted (Joyce, 2001, 2005; Vaihinger, 2014). Moreover, even assuming the existence of similar rating methods between SRAs, the comparability of sustainability performance seems at best uncertain. Various studies have highlighted the difficulty or even impossibility of credibly measuring such performance, particularly due to the importance of qualitative issues (e.g. biodiversity conservation, human rights), the complexity of the indicators used, the lack of information standardization and the difficulty in aggregating scattered data on very different aspects (Boiral and Henri, 2017; Capelle-Blancard and Petit, 2017; Escrig-Olmedo *et al.*, 2017; Gray and Milne, 2004; Hubbard, 2009). For example, offsetting poor performance on one sustainability indicator with good performance on another is a questionable practice (Boiral and Henri, 2017; Capelle-Blancard and Petit, 2017; Windolph, 2011). The integration of a wide variety of noncomparable indicators to produce a clean, composite and comparable rating also raises problems of commensurability and oversimplification (Böhringer and Jochem, 2007; Capelle-Blancard and Petit, 2017; Escrig-Olmedo *et al.*, 2017; Singh *et al.*, 2012). Even assuming that fuzzy logic approaches can partly address this problem (Escrig-Olmedo *et al.*, 2017; Liu, 2007; Rajak and Vinodh, 2015), the literature has consistently shown that there is a proliferation of unreliable information on corporate sustainability, due to greenwashing tendencies and managerial control over the disclosure process in particular (Boiral, 2013; Cho *et al.*, 2015; Hahn and Lülfs, 2014; Moneva *et al.*, 2006). Given the lack of reliable input data on corporate sustainability, it seems unreasonable to assume that SRA outputs accurately reflect reality. More fundamentally, the fictitious aspects of SRs reflect the vague and elusive definition of sustainability, which has been widely debated in the literature (Boiral, 2013; Devinney, 2009; Milne *et al.*, 2006; Moneva *et al.*, 2006). In the absence of clearly defined and circumscribed realities to be measured, SRs can hardly be consistent from one SRA to another. These difficulties challenge the predominance of approaches that assume sustainability performance measurements are realistic, and to give more credence to postmodernist approaches that emphasize the fictitiousness of the seemingly rational rhetoric on these measurements. The discourse of realistic measurements "acts like a facade to provide an organized, structured, rational, and controllable representation of fundamentally confused, chaotic, and, above all, discursive issues" (Boiral and Henri, 2017, p. 292).

Third, despite their fictitious aspects, SRs remain useful on at least three different levels. First, the orderly, rigorous and rational appearance of SRs facilitates their use by various stakeholders (Chelli and Gendron, 2013). Conversely, the information conveyed through sustainability reports or other publicly available sources can hardly be directly used for comparison purposes due to its complexity, lack of compliance and disordered appearance (Boiral and Henri, 2017; Escrig-Olmedo *et al.*, 2017; Friedman and Miles, 2001; Hubbard, 2009; Talbot and Boiral, 2018). For example, in their study on Green House Gas (GHG) reporting in the energy sector, Talbot and Boiral (2018) showed that more than 95% of the information disclosed in sustainable development reports – including those verified by external auditors – did not comply with the GRI requirements that companies were supposed to apply and were not comparable with one another. This type of noncompliance makes sustainability disclosure very difficult to use, particularly for SRI managers who must constantly monitor and compare the performance of a large number of firms. In this context, regardless of the reliability of ratings, SRAs provide a sense of comfort and order with regard to information that would otherwise be difficult, if not impossible, to rigorously compare. SRAs may therefore facilitate the promotion of a complex and multifaceted concept through the dissemination of SRs. Second, whatever the greenwashing tendencies of companies and uncertainties surrounding SR methods, the dissemination of SRs may have a positive impact on companies' practices. Some studies on greenwashing and organizational performativity suggest that sustainability statements may promote "aspirational talks" (Christensen *et al.*, 2013) conducive to more substantial changes, including changes to make the company more consistent with the information it has disseminated (Bowen, 2014; Bowen and Aragon-Correa, 2014; Siano *et al.*, 2017). In this perspective, SRAs could play a catalytic role by promoting rankings that provide greater visibility to sustainability aspects that organizations have not integrated well (Gauthier and Wooldridge, 2018). In addition, SRAs may use information not controlled by companies and may further take into account the views of various stakeholders on corporate sustainability (Diouf and Boiral, 2017; Kolk, 2004; Muñoz-Torres *et al.*, 2019; Perrini and Tencati, 2006). Third, regardless of SRs' validity, the production of SRs can exert a disciplinary function over organizations and investors alike. Various Foucauldian studies have shown that monitoring encourages the internalization of certain standards and has a disciplinary effect on organizations (Chelli and Gendron, 2013; Déjean *et al.*, 2004; Sauder and Espeland, 2009). From this perspective, it can be assumed that SRA practices – including requesting information from companies covered by SRs – exert some pressures on managers to better integrate sustainability and to comply with SRA expectations.

Although moral fictionalism seems to shed new light on SR practices, the opacity of SRAs and the lack of substantial empirical studies on this issue mean that SR practices require further investigation. More specifically, the perceptions of SR practitioners have been overlooked in the literature, with a few exceptions (Déjean *et al.*, 2004; Saadaoui and Soobaroyen, 2018). Moreover, the few empirical studies on the subject have not really investigated the moral fictionalism underlying SRA activities, in particular practitioners' perceptions of the ethical aspects, meaning and usefulness of SRs.

The theoretical approach of moral fictionalism is a new, relevant and differentiated perspective for shedding light on SRs as well as on the SAR field in general. Multiple theoretical approaches have been proposed to analyze the *raison d'être* and the main practices of the SAR field. Although, as pointed out by Gendron (2018), this research field seems too complex and fragmented to be clearly categorized and delimited, we can nonetheless mention a number of theoretical perspectives that have been focused on the other characteristics of SAR beyond the functional ones, including legitimacy theory (e.g. Bebbington *et al.*, 2008; Cho *et al.*, 2012b; Cho and Patten, 2007; Haniffa and Cooke, 2005; Rahaman *et al.*, 2004), (neo) institutional theory (e.g. Archel *et al.*, 2011; Cho *et al.*, 2015; Moneva *et al.*, 2006), impression management theory (e.g. Cho *et al.*, 2012b; Diouf and Boiral, 2017; Merkl-Davies and Brennan, 2007; Merkl-Davies *et al.*, 2011) and a diverse set of critical theories that could be included under the umbrella concept of "functional criticism" (Larrinaga González, 2017). Legitimacy theory aims to shed light on the drivers and practices of SAR considering that managers and their organizations are motivated by social considerations, beyond the economic ones, such organizations' desire to ensure that society perceives them as obeying social rules (e.g. Guthrie and Parker, 1989; Rahaman *et al.*, 2004). The (neo)institutionalist approach focuses on the processes of decoupling between formal elements, including SAR, which are essentially driven by social and institutional pressures and internal practices (e.g. Boiral, 2013; Cho *et al.*, 2015; Heggen *et al.*, 2018; Meyer and Rowan, 1977; Moneva *et al.*, 2006; Roberts, 2018). What is new about this approach is that it highlights the rational myths underlying SAR – i.e. its symbolic nature, divorced from organizational sustainability and mostly intended to improve legitimacy in the eyes of stakeholders (Boiral and Henri, 2017; Gibassier *et al.*, 2018; Heggen *et al.*, 2018; Roberts, 2018) – and the reasons behind the logic of appropriateness and the social construction of reality (Higgins and Larrinaga, 2014; Larrinaga González, 2017). Impression management theories are employed in SAR to shed more light on how companies disclose information they have manipulated, which reflects their opportunistic behaviors in the quest for social legitimacy, image improvement and the desire to conceal poor performance (Cho *et al.*, 2012b; Diouf and Boiral, 2017; Perkiss *et al.*, 2020; Solomon *et al.*, 2013; Talbot and Boiral, 2015, 2018).

Although a set of works using the abovementioned perspectives do shed light on the motivations behind reporting practices, their underlying strategies and their ambiguous effects with regard to corporate sustainability, these approaches do not directly question whether it is possible to report performance accurately through SAR. The moral fictionalism perspective, which could be included under the umbrella of "functional criticism," adds value to the SAR literature, as it proposes a more fundamental and radical (i.e. focused on the roots) reflection on the elusive nature of reality – in this case corporate sustainability performance – and the inability of reporting tools to account for this elusiveness, irrespective of institutional pressures and managers' intentions. In other words, the symbolic and decoupled nature of SAR does not simply arise from organizations' concealment strategies, as claimed by neo-institutional and impression management approaches. Rather, it also, more fundamentally, arises from the impossibility of transparently capturing the fragmented, ambiguous and context-dependent nature of most sustainability issues by using unidimensional indicators (Boiral and Henri, 2017). To our knowledge, most critical approaches on SAR do not clearly consider such impossibility. This includes approaches based on the decoupling between talk and action, which assume that the divorce between reporting practices and sustainability issues arises from organizational strategies and the managerial capture of the reporting process (Crilly *et al.*, 2016; Gibassier *et al.*, 2018; Heggen *et al.*, 2018; Pérez-López *et al.*, 2015; Roberts, 2018). The same applies to the criticisms of the organizational hypocrite underlying SAR, which do not question the possibility of substantive disclosure but rather focus on the contradictions between talk and action on sustainability, which are assumed to move in opposite directions (Cho *et al.*, 2015).

Nevertheless, the absence of clear evidence or examples of SAR practices that effectively describe the reality of organizational sustainability issues in a reliable, transparent and verifiable manner should lead to a more fundamental questioning of the fictional and narrative nature of these practices, independent of the strategies for legitimizing organizations and managing social pressures that are widely studied in the literature. The moral fictionalist approach does not presuppose an intentionality, a strategy or the existence of institutional pressures behind the contradictions between talk and reality in SAR. On the contrary, one can assume that SRAs are committed to providing as relevant and transparent information as possible. However, more fundamentally, the reliable measurement of sustainability performance simply appears to be an impossible quest. Another possible contribution of the fictionalist approach is to point out that, despite the fictitious character of SAR practices, they may paradoxically be useful or even necessary. As the seminal work of Vaihinger (2014) on the philosophy of "as if" points out, while the fictions developed to account for reality are false and misleading, they often have a practical use in constructing a representation of the world and acting on it. Fictionalism thus offers a new perspective for understanding SRs by taking into account both their character as symbolic, fictional and of a discursive nature, and their relevance for indirectly changing the practices of the organizations being rated.

Methods

The objective of this study was to shed more light on the fabric of SRs and their dissemination by examining the perceptions of SR practitioners with regard to the practices, challenges and ethical implications of the rating process. This empirical study was therefore initially not intended to validate the moral fictionalist approach or to identify elements related to this theory; its relevance emerged later. The exploratory nature of this study and its focus on the respondents' perceptions required a qualitative approach, which is best suited to exploring the meanings behind under-researched and complex issues (Corbin and Strauss, 1990; Gephart, 2004). Semi-structured interviews were performed to collect perceptions of SR practitioners involved in the rating process. The grounded theory approach was then used; it is commonly used in qualitative studies to develop theories and explanations derived from the data rather than to validate pre-established hypotheses (Martin and Turner, 1986; Strauss and Corbin, 1994; Suddaby, 2006). For the present study, the theoretical perspective of moral fictionalism was chosen and the literature review was written after the data collection and analysis steps were performed, as suggested in the literature on grounded theory and the inductive approach (e.g. Dunne, 2011; Thomas, 2006).

Data collection

The data collection was carried out in two stages. First, six nonfinancial rating agencies with activities in North America were contacted. The majority of the agencies contacted agreed to share some internal documents in order to make it possible to evaluate their rating processes. In addition, interviews were conducted ($N = 6$) with SR practitioners in order to gain a better understanding of the issues and challenges of SRAs. The objective of this first step was to better understand the rating processes, methodologies and challenges faced by agencies.

Second, in order to deepen our understanding of some of the issues raised and of SR practices, a second series of interviews was conducted. As the research team included a former SRA employee with many contacts in this industry, participants were mainly recruited through the snowball sampling method (Miles *et al.*, 2018). Professional websites, such as SRI-Connect and LinkedIn, were also used to facilitate the recruitment process. At this stage, 300 people were contacted, either by email (87) or through these professional websites (213). Of this group of 300 people, 30 agreed to participate in an interview. The low response rate (10%) might be explained by the sensitive nature of the SR industry, as some SRAs refused to let their employees participate in our study on the basis of confidentiality and business interest. The anonymity of the participants was ensured by a thorough research protocol approved by the university ethics committee prior to the data collection process. Each participant had to sign a consent form ensuring confidentiality prior to the interview. In total, 36 people participated in the interview process (6 in the first stage, 30 in the second) (see Appendix 1). Interviews were conducted between November 2015 and June 2018 and lasted between 45 and 90 min each. They were mainly conducted by phone or by Skype, though a few interviews (4) were conducted face-to-face. Previous studies (e.g. Holt, 2010; Stephens, 2007; Sturges and Hanrahan, 2004) have shown no significant differences between phone or Skype interviews and face-to-face interviews. All interviews were transcribed verbatim using Microsoft Word. Given the sensitive nature of the SR process, the interviews were focused on the respondents' perceptions. It was impossible to gather detailed information about SRA methodologies or outputs, aside from the documents obtained in the first step of the study. The semi-structured interview guide revolved around seven issues: the respondent's background, the rating process, relationships with the rated companies, the reliability of the rating process and of the information collected, the concept of materiality, standards and certifications, and various shareholder engagement processes.

Data analysis

The grounded theory approach involved the coding and grouping of passages under similar themes following an inductive and iterative process grounded in the data. First, the transcripts of the interviews were transferred to QDA Miner (v.4.1.21), a qualitative analysis software used to help sort, analyze and retrieve information related to various categories. Overall, the full transcripts added up to 490 single-spaced pages. Second, a preliminary coding grid covering the main themes of the study (the actual work of analysts, sources of information, challenges of the rating process, ethical issues, relationships with companies, controversies and scandals, and risk assessment) was developed based on the semi-structured questionnaire. This grid was further improved by reading the transcripts and holding discussions with other members of the research team on issues emerging from the data. Each code was defined in order to improve the consistency in the coding process between different coders (Thomas, 2006). Third, each transcript was categorized using the coding grid. Two independent coders were involved in order to ensure the reliability of the coding process (Miles *et al.*, 2018; Thomas, 2006). Discussions between the coders allowed us to further improve the grid by modifying, deleting, merging or splitting codes. The two coders' results were quite similar, and no significant differences were found. At the end of the categorization process, 1,344 passages were coded under 58 different codes grouped into 11 main categories (see Appendix 2). To meet the objective of this study, those 11 categories were further grouped into three main themes (challenges of sustainability ratings (SR), characteristics of the analyst's work and ethics). Fourth, the most relevant passages related to the main categories were extracted. To comply with the research ethics protocol and ensure the respondents' confidentiality, all information related to the type of SRA or organization involved was removed from the passages cited in this paper. Even though quantification is not usually appropriate for qualitative methods (Gephart, 2004; Pratt, 2009), certain trends based on the number of coded passages were estimated when deemed relevant. Finally, the results of the research project were also presented to a group representing industry members in a member verification effort to ensure the credibility and reliability of the results (Birt *et al.*, 2016).

The summary of the relevant findings and passages was organized into three main themes, which structure the presentation of the findings. These three themes reflect the main components of moral fictionalism described *a posteriori* in the literature review, namely (1) the existence of collectively accepted moral or ethical judgments – in this case, regarding SRs as tools for measuring and comparing sustainability performance; (2) the fictitious or unsubstantiated nature of such judgments, which is highlighted by the analysis of the major challenges of the SR process and the resulting trade-offs and (3) the practical utility of these judgments, which is explored in the results analysis on the role of SRs in promoting corporate sustainability.

Opening the "black box" of sustainability rating agencies

Most respondents highlighted the growing trend in companies and investors taking sustainable development or ESG issues into account, which has been accompanied by the rapid development of SRA activities and the diversification of their services. Through their rating activities, which are often carried out on behalf of large investors, SRAs are perceived as essential actors in the development of SRIs and the promotion of CSR in general. These trends were mentioned by about half of our respondents.

> For me, this is the first step in responsible investment. It is a tool to change ways of thinking, to raise awareness of sustainability issues. This is a first step before disinvestment decisions. (Respondent 27)

> If you are a serious investor and you are going to invest a lot of money in something in the long term, then you need to look at sustainability ratings, sustainability reports, and then you will ask companies questions about their methods. (Respondent 24)

> It's expanding. We track about 7,000 public companies currently, and we're expanding that out pretty aggressively at the moment to probably about 13,000. (Respondent 2)

Unsurprisingly, the methods used to evaluate companies differ from one SRA to another and are generally considered confidential; some respondents even called them a "trade secret" or "recipe." In this context, most analysts were reluctant to provide detailed information about their methods and generally referred to documents freely available online, when such documents existed. Despite the often laconic, imprecise and marketing-type nature of these documents, they outline the services offered by the agencies and, in some cases (e.g. MSCI, Vigeo Eiris), provide some vague information about elements of their methodology. Similarly, the SR outcomes communicated to client companies do not contain clear descriptions of the SRAs' methodology. These SRs are mainly based on general data and comparisons (figures, graphs, tables) on corporate sustainability in a specific sector, but they do not provide precise or clear explanations of how the calculations were made.

Although the majority of respondents consider that differences in rating methods are mainly responsible for the lack of convergence between SRAs, these methods are not necessarily very precise, detailed or applicable in all circumstances. SRAs have considerably expanded the number of activity sectors they cover, and now include increasingly diversified sectors (education, health, agri-food, government agencies) that often require adjustments in rating methods, sometimes on a case-by-case basis. As well, analysts are often asked to adapt their evaluations to the particular requirements of their clients, who may request different approaches or influence the weight given to specific sustainability criteria (e.g. pay equity, climate change, occupational health and safety). These adaptations reflect different conceptions of corporate sustainability and different priorities, depending on the particularities of sectors or clients. The methods used are therefore not monolithic, static or easily reproducible. They rather seem to be adaptable and customizable, and to evolve over time depending on clients' needs and broader institutional changes (e.g. new regulations, new standards, increased pressure for certain issues). Monitoring these changes and adapting rating practices to the evolving requirements of the institutional environment are two of the many challenges of the multifaceted process of rating.

> We've had a lot of new companies in the service sector, including educational companies, funeral home companies, even some cultural event organization companies. New sectors entering the market challenges us in terms of our methodology. We have to adjust to sectors to create new models for them and quickly develop expertise on these sectors because we need to answer to investors' requests as soon as we deliver these profiles. (Respondent 35)

> We will look at the indicators and evaluate whether or not our interpretation of the indicators has changed, whether or not there are new laws that we must include in the indicators. (Respondent 16)

> It's the investment fund in question that decides which issues are important to them. [. . .] If the environment is extremely important, I may give more weight to it. (Respondent 9)

In addition to possible adaptations in rating methods and criteria, the research and interpretation activities involved in SR seem difficult to formalize. First, collecting information on corporate sustainability is often a complex process that is based on nonstandardized data, and the exhaustiveness of the research process may vary. Some respondents mentioned that the integrity and thoroughness of the information-gathering process could vary considerably from one SRA to another, or even from one analyst to another. In this context, the time and cost of quality research may conflict with the economic objectives of SRAs, such as increasing the number of companies and sectors covered by each analyst. The rapid growth of SRAs and difficulties finding qualified analysts to meet the needs of an ever-increasing number of clients may therefore undermine the quality and completeness of the analyses involved in the SR process. Second, despite the rational and rigorous appearance of SRs, the work is partly based on personal interpretations rather than a mechanical application of predefined "calculation recipes." About 69% of respondents acknowledged that SR analysts have to engage in some level of judgment and interpretation at different stages of their work (e.g. data collection, evaluation of the relevance and reliability of the information, interpretation of certain events, controversy analysis). These interpretations inevitably involve ethical judgments about where situations or activities should be placed on the range from acceptable to reprehensible. Among other things, respondents highlighted the role of personal judgment, the need to make trade-offs between several factors, a lesser formalization of sustainability data compared to accounting information and the differences in interpretation between several analysts.

> It's normal for a data provider to give more importance to one factor over another, due to their work or their own experiences [. . .] Professionals are asked to make judgments. Some are probably better than others, but that does not mean they're necessarily wrong. (Respondent 19)

> Even among us, there are differences of interpretation for difficult subjects. [. . .] And so, we have to make a decision in this kind of debate and come to a consensus with the team, but not everyone necessarily agrees. [. . .] When do we consider downgrading a company? This can also lead to different interpretations, and it is not necessarily easy. (Respondent 36)

The bricolage of rating

The interpretative work and trade-offs underlying the activities of SR practitioners raise questions about the meaning and reliability of the final rating given to each company. Several analysts expressed regret that SR users limit themselves to the aggregated, simplified sustainability score and do not seek access to the data and assessments supporting this rating. Such an examination can indeed paint a very different picture of the company depending what sustainability aspects were emphasized in calculating the aggregate score. In addition to these aspects, the evaluation process raises many challenges, particularly in terms of methodology, reliability of information, commercial issues and the availability of relevant data.

First, about 47% of respondents mentioned the methodological challenges raised by the rating process. These challenges include the complexity of the analyses, the particular context of each organization and the difficulties in aggregating and comparing information that is initially noncommensurable. Overall, the rating process requires in-depth knowledge of the companies, sectors and regions in order to be credible. Several respondents mentioned the importance of integrating complex knowledge about the particularities of different sectors of activity, the type of organization rated, the sustainability aspects analyzed or the regions covered. Depending on the importance given to these various factors, the size of the SRA or their activity portfolio, the analysts' work can be divided into different dimensions (e.g. specialization by region, sector, ESG aspects). However, integrating these factors and aggregating the information obtained from very different contexts can be puzzling for SR practitioners. Among other things, respondents mentioned the importance of taking cultural, regulatory and organizational differences into account in the analysis of data, particularly on governance and social aspects. In addition, the data may be more or less aggregated, cover very different activities (e.g. subsidiaries, divisions, geographical areas) and be focused on indicators using different metrics. Sustainability information is often non-comparable, contradictory, qualitative, context-dependent and focused on very different issues (e.g. biodiversity, climate change, human rights). Processing this information to generate a "clean" score that appears comparable resembles a sort of bricolage work based on many approximations.

> There are a lot of aspects that companies might seem to have in common that would easily give the impression that they can be compared. However, sustainable development performance can be very complex and, as many common elements as we can find between companies, our assessment can be still challenged by very minor details that would somehow explain this impossibility. [. . .] The equation for assessing sustainable development performance can be very complicated, no matter how many variables we add to it to make it accurate. (Respondent 35)

> If accountants are eventually further involved, it may allow for a more standardized methodology and make it easier to compare companies. (Respondent 1)

Second, the reliability of the information used in the rating process remains questionable. About 44% of respondents expressed doubts about the transparency of the data collected, particularly due to greenwashing tendencies and companies concealing events or practices that could negatively affect SRs. It can be time-consuming to verify the quality and reliability of the information collected, especially when this requires the use of multiple sources and contact with various stakeholders. Moreover, such verification is not always possible or positively perceived by the companies being rated. Some SRAs are also reluctant to question the quality of the data they obtain, including through their specific questionnaires. Interestingly, some respondents mentioned – rightly or wrongly – that the assurance of sustainability reports guarantees the reliability of the information obtained. Regardless of the source of the information and how it is verified, the majority of respondents acknowledged that SRAs are relatively vulnerable to the greenwashing and impression management practices used by the companies being rated.

> Look, if a company wants to hide something bad, they will unfortunately do it. So how can I detect it? (Respondent 4)

> If companies are not providing honest information, there's very little a rating agency can do about it. [. . .] There's still the question of whether the information companies put out is accurate or not. (Respondent 10)

> I think that, today, there is still a lot of greenwashing and marketing behind the disclosure to make it look good. [. . .] There are companies that do very well, but I think there are many others that just conceal stuff. (Respondent 1)

Third, although most respondents highlighted the importance of the independence of SRAs and of preventing conflicts of interest, about 33% mentioned pressures or situations likely to compromise the impartiality of the rating process. Generally speaking, respondents were open to describing their partnership with the rated companies and the importance of maintaining good relations. Although this partnership seems necessary in order for the SRA to obtain additional information on sustainability performance, it takes the form of exchanges and meetings conducive to modifying SR outcomes or the SR criteria used. The majority of respondents who mentioned such discussions or pressures to influence SR outcomes stressed that it is essential, in order to maintain their credibility, that SRAs do not give in to these pressures. Other respondents indicated that, in certain SRAs, ratings were validated by the companies themselves or that commercial ties exist that could affect the impartiality of assessments. A few respondents also mentioned the consulting activities of SRAs, the support they can provide to companies to help them improve their ratings and promotion of the SRAs' various services. It is worth noting that respondents did not explicitly acknowledge that these activities may present further conflicts of interest.

> We're the only big agency that's really independent. We've never been bought out, and we've never bought other agencies. [. . .] We have no institution or company that could influence how we view the results of our ratings. There are other players who are owned by the rated companies, so that's something that's not acceptable to us. [. . .] We do not provide any advisory service to companies to improve their ratings. Some agencies take a different view on this. (Respondent 12)

> I guess when you audit and verify, you worry about potential conflict of interest, but how far they'll go in terms of saying it and then risk potentially not getting the contract renewed next year. . . (Respondent 13)

> There is a real mutual understanding, and people like us who rate companies contribute to the dialogue. We also have group sessions [. . .] and we invite companies to come listen to us and present our new products to them. (Respondent 30)

Fourth, about 22% of respondents mentioned difficulties in obtaining the information needed to conduct SRs, irrespective of the reliability of the data collected. While the majority of analysts acknowledged the usefulness of corporate sustainability reports, the information these reports disclose is generally considered to be insufficient, difficult to use and not necessarily focused on the most material issues. In addition, despite the increasing use of reporting standards such as the GRI, the data disclosed often appear to be of little relevance, poorly standardized or based on different metrics. It is therefore not necessarily tailored to the SR process, which aims to make corporate sustainability performance clear, orderly and comparable. To facilitate the collection and comparison of material information, most of agencies studied send questionnaires to the rated companies. However, respondents highlighted business fatigue around the proliferation of these questionnaires and the difficulty of obtaining satisfactory responses. Responding to SRA questionnaires also requires resources and skills that are not necessarily available in all companies. According to respondents, vagueness and lack of information have a negative impact on the SR assessment. As Respondent 24 summarized, "what has always bothered me in this industry is that the quality of information, the quality of the message, is confused with the quality of performance." In this context, large companies with more resources are better positioned to provide information to SRAs and are clearly favored over smaller ones. This also applies to sectors or regions that are more familiar with SRA requirements.

> Some sectors are much more difficult. There are also regions where there is no available information that can be analyzed. This is one of the challenges we are working on all the time. (Respondent 16)

> When a company does not disclose information, we traditionally penalize the company by comparing the company with the worst case. [. . .] More than the importance of the numbers and the information disclosed, I think it's the absence of the information that makes the work really difficult, especially for smaller companies. (Respondent 32)

Promoting corporate sustainability?

Although the interviews conducted raise serious questions about the validity, meaning and objectivity of SRs, the SRAs paradoxically seem to play an essential role in promoting corporate sustainability. More specifically, despite their relative disconnection from the complex, multifaceted and difficult-to-quantify realities of sustainability performance, SRs appear to contribute to strengthening stakeholder inclusiveness, raising companies' and investors' awareness of issues that are often neglected, and improving the quality of the information disclosed.

First, SRAs encourage the consideration of various stakeholders whose views are often ignored in corporate sustainability reports. About 64% of respondents mentioned the importance of using multiple sources of information and not limiting themselves to data disclosed by companies. This approach is explicitly encouraged by the ARISTA 3.0 standard, which requires SRAs to "assess/rate companies using more than company-provided information, such as independently collected data, regulatory sources, and information from stakeholders or relevant NGOs" (Association for Responsible Investment Service, 2012, p. 5). Although the process of consulting stakeholders and diversifying information sources seems to vary greatly depending on the agencies and analysts involved, it certainly helps to reduce the managerial capture of sustainability disclosure. Several respondents also indicated that this approach helps to identify controversies that may pose serious risks to investors. Nevertheless, several respondents emphasized that the information shared by stakeholders is not necessarily more reliable than corporate disclosures and that, when possible, it too needs to be verified. Moreover, it remains unclear how conflicting and fuzzy information obtained from different sources is processed by the rating system to produce a "clean" score.

> It is very important to have other sources of information than just what comes from rated companies. We take into account information provided by NGOs, the media, and our monitoring system on controversies, scandals, etc. [. . .] We try to free ourselves as much as possible from the information provided by rated companies. (Respondent 12)

> It's important for us to use a broad range of information sources. We know that's just one perspective, and that's why we think it's important to get a range from different stakeholders, such as NGOs, or by looking at potential regulation breaches or press reports. (Respondent 15)

> I believe in the benefits of taking stakeholders into account to promote shared decision-making and to include various points of view. But how to apply this is still not necessarily clear to me. (Respondent 4)

Second, about 31% of respondents mentioned that the SR process has a role in educating managers and transforming corporate practices. SRA questionnaires and requests for information help to raise managers' awareness of indicators that were not measured or even considered. Likewise, more informal meetings between SRA representatives and managers may help companies learn how to better work with specific sustainability issues and improve the company's rating. Like financial results, poor SR results can stimulate behavioral changes on the part of both rated companies and investors. Several respondents pointed out that the rankings and evaluation reports that SRAs produce are clearer, more concise and more effective tools for raising awareness than corporate sustainability reports, which are often perceived as marketing tools. The figures and tables in SRs provide a comforting impression of order and comparability that increases confidence in the accuracy of measurements and makes SRs much easier to use than corporate sustainability reports. Overall, the clarity of presentation of SRs and their illustrations (histograms, examples, figures) contribute to helping their readers believe that the measurements are objective, reliable and comparable. Moreover, SRs are only the most visible and best advertised of the many activities of SRAs, which often offer other services to support companies in working with sustainability issues (e.g. proxy voting, follow-up on improvements and performance, support in engagement). In this context, some analysts view themselves as agents of change or coaches engaged in a dialog or partnership with companies. As a result, their mission goes far beyond simple performance evaluation, even if the latter represents the bulk of their official work.

> We might start a dialogue on a certain issue, let's say labor rights, then they may end up wanting our input in general on their social responsibility agenda, how they should do their human rights impact assessment, or something like that. They ask us for advice on how to do certain things. [. . .] We tell the company that they need to improve their policy on human rights in order to get certain key performance indicator fulfilled. Otherwise, they will not be fulfilled. And we explain that to them. [. . .] That's a way to engage and to make the company improve and change. (Respondent 23)

> I look for the best practices to have a pragmatic approach. Estimate the impact of a specific issue you are worried about and go talk to the company. Show it to the director of investor relations, show him the premises and your concerns, and ask how the company could address it. (Respondent 25)

Third, as mentioned by about 17% of respondents, SRAs contribute to improving companies' sustainability disclosure practices. For instance, SRA requests for the information needed for SRs may lead to the development of new indicators or the improvement of existing ones. According to analysts, the inclusion of these indicators in sustainability reports or online information tends to improve company performance, reduce the fatigue associated with SRA questionnaires and facilitate the process of data collection. As well, some respondents said that it is increasingly difficult for companies to hide important controversies or negative events due to online information and the survey work conducted by SRAs. In this context, SRAs tend to play a disciplinary role vis-à-vis some companies by encouraging the disclosure of more transparent information on material issues.

> I think things are changing in that companies are realizing that it's very hard to hide information these days because of technology and globalization. If you've got an operation in Asia, that's not to say somebody's not going to find out if you're behaving unethically there. You've got more active civil society highlighting some of these issues, and it can impact what you do. (Respondent 13)

> Companies have changed their policies and procedures. Now they are more transparent, and they are reporting more. (Respondent 25)

> Public information has gaps. The level of ESG disclosure is generally quite limited. By talking with companies, we get a little more information, and we can help to reduce these information gaps. (Respondent 9)

Discussion

This paper sheds more light on the construction of SRs based on practitioners' perceptions of the validity, usefulness and ethical implications of the rating process using the theory of moral fictionalism.

The results of the study show that, despite the rational appearance of SR practices, the rating methods are relatively elastic and adaptable to sectoral or regional differences, institutional changes and specific client demands. The diversification of the sectors covered by SRAs and the complexity of sustainability issues do not favor a standardized or monolithic approach. SRs thus depend, to a large extent, on the personal judgment and professionalism of analysts rather than on an objective, reproducible, cast-in-stone approach. The subjective and interpretative dimensions of the SR process are heightened by the difficulties in obtaining relevant information on the indicators measured, the uncertainties surrounding the reliability of the information collected and the commensurability problems that ensue from aggregating data from various sources on a wide array of issues. In addition, the commercial aspects of SRAs and possible confusion between their assessment and consulting functions invite questions about the independence and impartiality of SRs. In this context, the objective and rational appearance of SRs can be considered to be a fiction – the type of reassuring, accurate and accepted representation of reality pointed out by Vaihinger (2014) – but one that is necessary to ensure the legitimacy of SRs and respond to the demand for information on the part of a growing number of rating users. Indeed, questioning the reliability of SRs would represent a serious threat to the image of SRAs and the credibility of SRIs in general. SRAs do not only act as translators by producing numerical information from scattered and often fuzzy performance data (Avetisyan and Gond, 2013; Chelli and Gendron, 2013), they also tend to create a fictional appearance of order, measurability and comparability, which is necessary in order for SRIs to function properly and meet stakeholders' expectations. Independent of the reliability of SRs, SRAs play an important role in institutionalizing sustainable development practices and standards. This institutionalization is driven by companies and investors adapting to SR requirements and criteria, as the latter exert a disciplinary power (Chelli and Gendron, 2013; Sauder and Espeland, 2009). Certain SRAs, Vigeo Eiris in particular, also highlight their role in integrating stakeholders' perspectives, which are often neglected in sustainability disclosures (Diouf and Boiral, 2017; Kolk, 2004; Perrini and Tencati, 2006).

This article contributes to the literature in several ways. First, the article contributes to the emerging empirical literature on SRAs by opening the "black box" of rating practices by exploring the perspectives of practitioners. With very few exceptions (Déjean *et al.*, 2004; Sauder and Espeland, 2009), this view has been largely neglected in the empirical literature, which is mainly based on secondary data and publicly available information on SR practices. The results of this study thus contribute to demystifying the rating process and to developing a better understanding of the many trade-offs underlying the fabric of SRs. Such trade-offs, and the interpretative work involved in the rating process, can partly explain the opacity and culture of secrecy surrounding SRA methodologies (Capelle-Blancard and Petit, 2017; Chelli and Gendron, 2013; Delmas and Blass, 2010; Windolph, 2011). One can assume that these methods could not be made public without questions being raised about their rigor and objectivity, which would then be easy to verify and critique. The results of this study also contribute to research on SRA convergence issues (Chatterji *et al.*, 2016; Dorfleitner *et al.*, 2015; Semenova and Hassel, 2015). The methodological differences between SRAs are a partial and convenient explanation for the lack of convergence this literature highlights. The divergence between different SRs is also driven by the interpretative work involved in SRs, which is shaped by the personal ethical judgments of SR analysts.

Second, this article contributes to an emerging body of literature that questions the dominant practices in measuring corporate sustainability performance (Boiral and Henri, 2017; Capelle-Blancard and Petit, 2017; Delmas and Blass, 2010; Escrig-Olmedo *et al.*, 2017; Hubbard, 2009). Generally speaking, the measurement issues raised by respondents (e.g. qualitative aspects, difficulties in obtaining reliable and material information, lack of commensurable data, trade-offs in the weighting of different indicators or events) are similar to those observed in the critical literature on sustainability performance (Boiral and Henri, 2017; Gray and Milne, 2004; Talbot and Boiral, 2015). Our study shows that, whatever the methods used, SRAs do not escape the challenges of the fact that sustainability is a multifaceted and sometimes vague concept. This is obfuscated by the production of SR documents that contain data, graphs and figures, the clear and easy-to-use appearance of which can obscure the trade-offs underlying the measurement of corporate sustainability. These observations also contribute to research on the use of figures and images as an impression management strategy

(Boiral, 2013; Cho *et al.*, 2012a, b), which gives an appearance of comfort and order to the complex, fuzzy and scattered nature of sustainability performance.

Third, this article contributes to the literature on SAR by showing the relevance of moral fictionalism in analyzing the ambiguous role of SRs. To our knowledge, moral fictionalism has not been explicitly used in the SAR field, although some critical studies on the subject are based on analogous but not equivalent concepts, as this article details. Moral fictionalism is employed here to shed light on the fictions and the philosophy of "as if" (Vaihinger, 2014) underlying the rational appearance of ratings, while also illustrating ratings' usefulness in promoting corporate sustainability. In general, the belief that ratings are rigorous and contain comparable data on corporate sustainability is a response to broader institutional and financial challenges, particularly the rapid growth of SRIs. These issues are very important, and require that we seriously question the SRA outputs and the philosophy of "as if" underlying their objective appearance. However, while the apparent rigor of SRs may appear to be a fiction, SRs remain useful and even necessary for credibly promoting new standards and practices among both organizations and investors. In this perspective, the study also contributes to other fields, such as the research on organizational performance and the disciplinary power of assessment practices (Chelli and Gendron, 2013; Christensen *et al.*, 2013; Sauder and Espeland, 2009; Siano *et al.*, 2017).

Fourth, the results of the study have important practical implications for SRAs and SR users. For SRAs, the difficulties in obtaining material and reliable information should encourage competing agencies to collaborate in setting up common, more standardized indicators that are easier for companies to work with. Likewise, pooling the questionnaires sent to companies, in whole or in part, would help reduce companies' fatigue and the costs associated with information production. Although commercial differentiation strategies may explain the current differences in SR methods, questionnaires and information required from companies (Delmas and Blass, 2010; Saadaoui and Soobaroyen, 2018), such differentiation could be focused on other aspects, such as emphasizing neglected sustainability indicators, diversifying information sources, increasing stakeholder involvement and preventing managerial capture (Diouf and Boiral, 2017; Kolk, 2004; O'Dwyer and Owen, 2005; Perrini and Tencati, 2006). SRAs should also invest more in the training and professionalization of their analysts. The interviews showed that some analysts had a very approximate knowledge of major sustainability issues and were unaware of the existence of disclosure standards such as the GRI. Respondents' confidence in the ability of assurance practices to improve information quality and to prevent managerial capture also illustrates the need for better training in the field. It is worth recalling that the effectiveness of assurance practices surrounding sustainability reports is largely viewed as controversial in the literature (Boiral, 2013; O'Dwyer and Owen, 2005; Smith *et al.*, 2011; Talbot and Boiral, 2018). To improve their independence, SRAs need to better separate their SR production activities from the services they offer to companies, including consulting activities. In turn, SR users should more critically examine the reliability of the ratings and challenge SRAs on their methodology and analyst training. The use and comparison of several SR systems could potentially facilitate this step back and reduce dependence on specific ranking methods that poorly represent the complexity and diversity of sustainability issues. Given the increasing role of SRs in financial markets and given that it is important for the appropriate information to be available for rating purposes, companies should provide sufficient resources in order to better work with the expectations of SRAs and adequately respond to their questionnaires. Lastly, investors, public authorities and other stakeholders (e.g. NGOs and associations) should be cautious of the real practical implications of SRs in light of the results of this study.

For future research, the influence of SRA methodology, size or geographical origin on SR outputs could be analyzed by quantitative research using large samples. It would also be interesting to analyze the relationships between internal variables, such as the number of companies covered by SRAs, the number of analysts involved and the type of SRs produced. This type of study could also provide a better understanding of the factors that influence SR quality. However, such studies are very difficult to conduct, mainly due to the "black box" phenomenon that has been highlighted in the literature on SRAs (Delmas and Blass, 2010; Rutledge, 2015; Saadaoui and Soobaroyen, 2018; Scalet and Kelly, 2010; Stubbs and Rogers, 2013; SustainAbility, 2018; Windolph, 2011). Second, while SRAs seem to play a useful role in developing SRI and promoting corporate sustainability, the implications of the uncertainties and ambiguities surrounding SRs require further study. What do investors and SRI fund managers think about the quality and reliability of the SRA outcomes? To what extent do they care about the methods used by SRAs, their fictitious rationality and the lack of convergence of their analyses? How do they justify such lack of convergence and what are its possible implications for SRI practices? The relationship of companies with SRAs and the influence of SRAs' ratings on sustainability practices also merit further research. While SRAs appear to exercise a disciplinary power over some companies, companies' responses to SRA requests for information may be mainly symbolic. The interviews revealed that the difficulty in verifying the reliability of the information collected is one of the main challenges of the SR process. In this context, it is reasonable to assume that some companies use impression management strategies to influence SRAs, while others adopt a more transparent approach. Although it is relevant to explore these issues, research on the subject remains difficult due to the reluctance of SRAs, investors and companies to share information that may undermine their legitimacy.

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Appendix 1

Respondent	Title	Specialty	Organization type	Country
1	CEO and lecturer	Accounting	SME	Canada
2	Director	Sustainability data	Database provider	United States
3	Analyst	Nonfinancial rating	Service provider	Germany
4	Professional	Responsible investment and proxy voting	Service provider	Canada
5	Analyst	Sustainability data	Database provider	Germany
6	Director	Responsible investment	Institutional investor	United Kingdom
7	Analyst	Nonfinancial rating	Service provider	Germany
8	Analyst	Responsible investment	Institutional investor	France
9	Professional	Responsible investment and proxy voting	Institutional investor	Canada
10	Manager	Nonfinancial rating	Service provider	United Kingdom
11	Vice-president	Nonfinancial rating	Service provider	Canada
12	Vice-president	Nonfinancial rating	Service provider	France
13	Professional	Responsible investment	Institutional investor	United Kingdom
14	Voting agent	Responsible investment and proxy voting	Institutional investor	France
15	Analyst	Responsible investment	Institutional investor	United Kingdom
16	Manager	Nonfinancial rating	Service provider	Canada
17	Voting agent	Responsible investment and proxy voting	Service provider	Canada
18	Analyst	Responsible investment	Institutional investor	Canada
19	Professional	Responsible investment and shareholder engagement	Credit union	Canada
20	Professional	Responsible investment and sustainability integration	Credit union	Canada
21	Analyst	Sustainability integration	Nonprofit organization	Canada
22	Lecturer	Responsible investment	Academic	Canada
23	Manager	Shareholder engagement	Service provider	Sweden
24	Director	Shareholder engagement	Service provider	Canada
25	Analyst	Responsible investment	Institutional investor	Brazil
26	Director	Shareholder engagement	Service provider	Canada
27	Voting agent	Responsible investment and proxy voting	Service provider	Canada
28	Consultant	Responsible investment and nonfinancial rating	Service provider	Canada
29	Manager	Nonfinancial rating	Service provider	United States
30	CEO	Shareholder engagement and proxy voting	Service provider	France
31	Analyst	Nonfinancial rating	Service provider	India
32	Analyst	Nonfinancial rating	Nonprofit organization	Brazil
33	Manager	Sustainability data	Database provider	United Kingdom
34	Vice-president	Nonfinancial rating	Service provider	Sweden
35	Analyst	Nonfinancial rating	Service provider	Morocco
36	Manager	Responsible investment and proxy voting	Institutional investor	France

Table A1.
Profile of the interviewees

Appendix 2

Categories (n = 11)	Codes (n = 58)
Activism and drivers	(1) Decarbonization
	(2) Dialog
	(3) Divestment
	(4) Impact of activism and drivers
	(5) Internal drivers
	(6) Involvement in annual general meetings
	(7) Practical examples
	(8) Proxy voting
	(9) Shareholder engagement
	(10) Shareholder proposal
Challenges of sustainability ratings (SRs)	(1) Aggregation into a single indicator
	(2) Challenges of voluntary disclosure
	(3) Credibility and reliability of SRs
	(4) Credibility of information contained in sustainability reports
	(5) Difficulty in comparing information
	(6) Greenwashing and storytelling
	(7) Lack of balance
	(8) Mechanisms of verification
	(9) Nonfungibility of performance
	(10) Other challenges
	(11) Reasons for the lack of convergence between agencies
	(12) Standardization of data
	(13) Standardization of norm
	(14) SRs from other companies
Characteristics of the analysts' work	(1) Controversy assessment
	(2) Data collection
	(3) Evaluation, use and updating of information
	(4) Responsibilities
	(5) Typical day/task
	(6) Writing
Conflicts of interest in SRs	(1) Solicited ratings
	(2) Unsolicited ratings
Controversies and scandals	(1) Consequences
	(2) Examples
	(3) Impact on rating
	(4) Prediction of scandals
Discussion with rated companies	(1) Additional information sent
	(2) Impact of discussion on the ratings
	(3) Validation of the ratings
Ethics	(1) Accountability
	(2) Conflicts of interest
	(3) Transparency
Negative aspects of the contact with rated companies	(1) Information request saturation
	(2) Pressures and ethical issues
Responses from rated companies	(1) Collaboration and openness
	(2) Providing of explanations

(continued)

Table A2. Categories and codes identified in the categorization process

Table A2.

Categories (n = 11)	Codes (n = 58)
Risks	(1) Environmental risks (2) Impacts on ratings (3) Legal risks (4) Practical examples (5) Reliability of risk assessment (6) Risk assessment process
Sources of information	(1) Company's information (2) Counter-accounting process (3) Government information (4) Legal proceedings (5) Other sources (6) Proprietary system

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