

# Targeted consultation on the functioning of the ESG ratings market in the European Union and on the consideration of ESG factors in credit ratings

Fields marked with \* are mandatory.

## Introduction

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The first part of the consultation aims to inform the Commission on the functioning of the ESG ratings market, on its potential shortcomings and on the need for EU intervention.

The second part of the consultation aims to inform the Commission on possible shortcomings in relation to the consideration of sustainability factors in credit ratings, on disclosures made by Credit Rating Agencies and on the need for EU intervention.

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**Please note:** In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact [fisma-esg-ratings@ec.europa.eu](mailto:fisma-esg-ratings@ec.europa.eu).

More information on

- [this consultation](#)
- [the consultation document](#)
- [the call for evidence accompanying this consultation](#)
- [EU labels for benchmarks \(climate, ESG\) and benchmarks' ESG disclosures](#)
- [credit rating agencies](#)
- [the protection of personal data regime for this consultation](#)

## About you

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\* Language of my contribution

- Bulgarian
- Croatian
- Czech
- Danish
- Dutch
- English
- Estonian
- Finnish
- French
- German
- Greek
- Hungarian
- Irish
- Italian
- Latvian
- Lithuanian
- Maltese
- Polish
- Portuguese
- Romanian
- Slovak
- Slovenian
- Spanish
- Swedish

\* I am giving my contribution as

- Academic/research institution
- Business association
- Company/business organisation
- Consumer organisation
- EU citizen

- Environmental organisation
- Non-EU citizen
- Non-governmental organisation (NGO)
- Public authority
- Trade union
- Other

\* First name

\* Surname

\* Email (this won't be published)

\* Organisation name

*255 character(s) maximum*

\* Organisation size

- Micro (1 to 9 employees)
- Small (10 to 49 employees)
- Medium (50 to 249 employees)
- Large (250 or more)

Transparency register number

*255 character(s) maximum*

Check if your organisation is on the [transparency register](#). It's a voluntary database for organisations seeking to influence EU decision-making.

\* Country of origin

Please add your country of origin, or that of your organisation.

- Afghanistan
- Djibouti
- Libya
- Saint Martin

- Åland Islands
- Albania
- Algeria
- American Samoa
- Andorra
- Angola
- Anguilla
- Antarctica
- Antigua and Barbuda
- Argentina
- Armenia
- Aruba
- Australia
- Austria
- Azerbaijan
- Bahamas
- Bahrain
- Bangladesh
- Barbados
- Belarus
- Belgium
- Belize
- Benin
- Bermuda
- Bhutan
- Bolivia
- Dominica
- Dominican Republic
- Ecuador
- Egypt
- El Salvador
- Equatorial Guinea
- Eritrea
- Estonia
- Eswatini
- Ethiopia
- Falkland Islands
- Faroe Islands
- Fiji
- Finland
- France
- French Guiana
- French Polynesia
- French Southern and Antarctic Lands
- Gabon
- Georgia
- Germany
- Ghana
- Gibraltar
- Greece
- Greenland
- Grenada
- Liechtenstein
- Lithuania
- Luxembourg
- Macau
- Madagascar
- Malawi
- Malaysia
- Maldives
- Mali
- Malta
- Marshall Islands
- Martinique
- Mauritania
- Mauritius
- Mayotte
- Mexico
- Micronesia
- Moldova
- Monaco
- Mongolia
- Montenegro
- Montserrat
- Morocco
- Mozambique
- Myanmar/Burma
- Namibia
- Saint Pierre and Miquelon
- Saint Vincent and the Grenadines
- Samoa
- San Marino
- São Tomé and Príncipe
- Saudi Arabia
- Senegal
- Serbia
- Seychelles
- Sierra Leone
- Singapore
- Sint Maarten
- Slovakia
- Slovenia
- Solomon Islands
- Somalia
- South Africa
- South Georgia and the South Sandwich Islands
- South Korea
- South Sudan
- Spain
- Sri Lanka
- Sudan
- Suriname
- Svalbard and Jan Mayen
- Sweden

- Bonaire Saint Eustatius and Saba
- Bosnia and Herzegovina
- Botswana
- Bouvet Island
- Brazil
- British Indian Ocean Territory
- British Virgin Islands
- Brunei
- Bulgaria
- Burkina Faso
- Burundi
- Cambodia
- Cameroon
- Canada
- Cape Verde
- Cayman Islands
- Central African Republic
- Chad
- Chile
- China
- Christmas Island
- Clipperton
- Guadeloupe
- Guam
- Guatemala
- Guernsey
- Guinea
- Guinea-Bissau
- Guyana
- Haiti
- Heard Island and McDonald Islands
- Honduras
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Iran
- Iraq
- Ireland
- Isle of Man
- Israel
- Italy
- Jamaica
- Nauru
- Nepal
- Netherlands
- New Caledonia
- New Zealand
- Nicaragua
- Niger
- Nigeria
- Niue
- Norfolk Island
- Northern Mariana Islands
- North Korea
- North Macedonia
- Norway
- Oman
- Pakistan
- Palau
- Palestine
- Panama
- Papua New Guinea
- Paraguay
- Peru
- Switzerland
- Syria
- Taiwan
- Tajikistan
- Tanzania
- Thailand
- The Gambia
- Timor-Leste
- Togo
- Tokelau
- Tonga
- Trinidad and Tobago
- Tunisia
- Turkey
- Turkmenistan
- Turks and Caicos Islands
- Tuvalu
- Uganda
- Ukraine
- United Arab Emirates
- United Kingdom
- United States

- Cocos (Keeling) Islands
- Colombia
- Comoros
- Congo
- Cook Islands
- Costa Rica
- Côte d'Ivoire
- Croatia
- Cuba
- Curaçao
- Cyprus
- Czechia
- Democratic Republic of the Congo
- Denmark
- Japan
- Jersey
- Jordan
- Kazakhstan
- Kenya
- Kiribati
- Kosovo
- Kuwait
- Kyrgyzstan
- Laos
- Latvia
- Lebanon
- Lesotho
- Liberia
- Philippines
- Pitcairn Islands
- Poland
- Portugal
- Puerto Rico
- Qatar
- Réunion
- Romania
- Russia
- Rwanda
- Saint Barthélemy
- Saint Helena
- Ascension and Tristan da Cunha
- Saint Kitts and Nevis
- Saint Lucia
- United States Minor Outlying Islands
- Uruguay
- US Virgin Islands
- Uzbekistan
- Vanuatu
- Vatican City
- Venezuela
- Vietnam
- Wallis and Futuna
- Western Sahara
- Yemen
- Zambia
- Zimbabwe

\* Field of activity or sector (if applicable)

- ESG rating provider
- Auditing
- Banking
- Credit rating agency
- Insurance
- Pension provision
- Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)
- Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
- Social entrepreneurship
- Listed companies
- SME

- Benchmark administrator
- Other financial services (e.g. advice, brokerage)
- Trade repositories
- Organisation representing consumers' interests
- Supervisory authority
- Other
- Not applicable

**\* Role in the ESG rating / Credit rating market**

Please select as many answers as you like

- ESG rating provider
- User of ESG ratings (investor)
- User of ESG ratings (company)
- User of ESG ratings (other)
- Credit rating agency
- User of credit ratings
- Rated (as a company)
- Auditor
- Supervisor
- Other

The Commission will publish all contributions to this targeted consultation. You can choose whether you would prefer to have your details published or to remain anonymous when your contribution is published. **For the purpose of transparency, the type of respondent (for example, 'business association, 'consumer association', 'EU citizen') is always published. Your e-mail address will never be published.** Opt in to select the privacy option that best suits you. Privacy options default based on the type of respondent selected

**\* Contribution publication privacy settings**

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

**Anonymous**

Only the organisation type is published: The type of respondent that you responded to this consultation as, your field of activity and your contribution will be published as received. The name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your name will not be published. Please do not include any personal data in the contribution itself if you want to remain anonymous.

## Public

Organisation details and respondent details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published. Your name will also be published.

I agree with the [personal data protection provisions](#)

## Part A – ESG Ratings

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### Background information

ESG ratings are used by a wide variety of investors as part of their sustainable investment strategy to take into account risks and opportunities linked to ESG issues. Consequently, these ratings have an increasingly important impact on the operation of capital markets and on confidence of investors in sustainable financial products. For the purposes of this consultation the term ESG ratings is based on the definition provided in the [International Organization of Securities Commissions' \(IOSCO\) final report on environmental, social and governance \(ESG\) ratings and data products providers](#).

**ESG ratings:** refer to the broad spectrum of ratings products that are marketed as providing an opinion regarding an entity, a financial instrument or a product, a company's ESG profile or characteristics or exposure to ESG, climatic environmental risks or impact on society and the environment that are issued using a defined ranking system of rating categories, whether or not these are explicitly labelled as "ESG ratings".

Due to the importance and growth of this market, and potential issues identified as to its functioning, in the [action plan on sustainable finance](#), published in March 2018, the Commission announced a study to be conducted to dig further into the specifics of this market.

The [study on sustainability-related ratings, data and research](#) ('the study') was published in January 2021. The study identified a number of issues pertaining to the functioning of the market of ESG ratings providers, in particular on transparency around data sourcing and methodologies, as only few firms disclose the underlying indicators or their actual weights of their assessment. The study also highlighted issues in terms of timeliness, accuracy and reliability of ESG ratings. Another issue identified related to biases, based on the size and location of the companies. Finally, it highlighted potential conflicts of interest associated with certain aspects of their work, including where providers both assess companies and offer paid advisory services or charge companies to see their own reports.

As part of the [consultation on the renewed sustainable finance strategy](#), which took place in early 2021, the Commission asked stakeholders about their views on the quality and relevance of ESG ratings for their investment decisions, on the level of concentration in the market for ESG ratings and need for action at EU level. This confirmed the conclusions of the study, Stakeholders indicated that better comparability and increased reliability of ESG ratings would enhance the efficiency of this fast growing market, thereby facilitating progress towards the objectives of the [EU green deal](#).



This consultation will directly feed into an impact assessment that the Commission will prepare in the year 2022 in order to assess in detail the impacts, costs and options of a possible EU intervention. This consultation should help further clarifying and quantifying the main findings from the study and input received from market participants.

On 3 February 2022, the [European Securities and Markets Authority \(ESMA\) published a call for evidence](#), complementary to this consultation, in order to support the exercise and provide a mapping of ESG rating providers operating in the EU. The call for evidence also looks at possible costs of supervision would these providers become subject to some supervision.

Subject to the result of this impact assessment, the Commission would propose an initiative to foster the reliability, trust and comparability of ESG ratings by early 2023.

This consultation also seeks views from market participants on the use of other types of tools that can be offered by sustainability-related providers, including research, controversy alerts, rankings, etc.

## I. Use of ESG ratings and dynamics of the market

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The study identified a rapid growth in global assets committed to sustainable and responsible investment strategies over the last decade, which is forecast to continue as sustainable investing becomes fully integrated into asset management.

This leads to higher demand by investors for ESG ratings to help them decide on particular investment strategies.

The study identified two key trends over the past five years - being consolidation and reinforcement of the established ESG ratings providers, and growth in the overall number of providers due to new market entrants.

The study also highlighted that it is challenging for new market entrants to replicate and compete with the larger providers due to high initial level of investment needed to cover a broad range of ESG issues, with as many as a thousand data points, across thousands of companies.

### Questions for investors, asset managers and benchmark administrators

#### Do you use ESG ratings?

- Yes, very much
- Yes, a little
- No
- Don't know / no opinion / not applicable

#### Please explain your answer:

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

State Street Global Advisors uses a wide range of leading ESG ratings and data providers – currently, we are contracting with more than 10 providers. This number often fluctuates as the firm continually seeks to enhance its access to quality ESG datasets and products, which is also done at the request of our clients who may be using different providers. In general, we utilise ESG ratings for the following activities: investment solutions, portfolio management and reporting, and asset stewardship engagement and risk management oversight.

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Which type of ESG ratings do you use?

### ESG ratings providing an opinion on companies:

Please select as many answers as you like

- ESG ratings providing an opinion on opportunities
- ESG ratings providing an opinion on the compliance of companies with frameworks and rules
- Exposure to and management of ESG risks
- ESG ratings providing an opinion on a company performance towards certain objectives
- ESG ratings providing an opinion on the impact of companies on the society and environment
- ESG ratings providing an opinion on the ESG profile of the company
- Other

### ESG ratings providing an opinion on:

Please select as many answers as you like

- investment funds
- other financial products

### ESG ratings providing an opinion on investment funds

### ESG ratings providing an opinion on investment funds:

Please select as many answers as you like

- exposure to and management of ESG risks
- impact on the society and environment
- ESG characteristics
- other specialised ratings

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To what degree do you use ESG ratings in investment or other financing decisions on the a scale of from 1 to 10?

(1 = very little, 10 = decisive)

- 1 - very little
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10 - decisive
- Don't know / no opinion / not applicable

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

State Street Global Advisors has a range of global products and strategies, both index-tracking as well as actively managed, and everything in between. The degree to which we use ESG ratings in decision making is very much dependent on the product and strategy. In strategies that explicitly utilize ESG ratings, those ratings are material in informing portfolio allocation.

**If you don't use ESG ratings, or use on them to a very small degree, what do you use on in your investment or other financing decisions?**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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**Do you use overall ESG ratings or ratings of individual Environmental, Social or Governance factors?**

- Overall ESG ratings
- Ratings of an individual Environmental, Social and Governance factors
- Ratings of specific elements within the Environmental, Social and Governance factors,
- Other types

- Don't know / no opinion / not applicable

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Do you buy ESG ratings as a part of a larger package of services?**

- Yes  
 No  
 Don't know / no opinion / not applicable

**If you responded yes to the previous question, what other services do you buy?**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We use ESG data in relation to climate, governance and environmental and social factors. This information is obtained directly from data providers. In general, we use ESG ratings and data products received as part of the same standard contractual agreement with providers.

**If you responded yes to the previous question, do you consider that buying ESG ratings as a part of a larger package would give rise to potential conflicts of interests?**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We would expect providers to have appropriate governance and internal controls/procedures in place to manage any potential conflicts of interest, and be sufficiently transparent to users should any conflict of interest arise.

**What are you using ESG ratings for?**

Please select as many answers as you like

- as a starting point for internal analysis
- as one of many sources of information that influence the investment decisions
- to meet regulatory or reporting requirements
- as a decisive input into an investment decision
- as a reference in financial contracts and collaterals
- for risk management purposes
- other(s)

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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**As a benchmark administrator, how do you take into account ESG ratings for the construction of a benchmark and/or in disclosures around a benchmark?**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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**Do you refer to ESG ratings in any public documents or materials?**

- Yes
- No
- Don't know / no opinion / not applicable

**If you responded yes to the previous question, please specify the type of documents or materials:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

For instance, we may refer to ESG ratings in pre-contractual disclosure documents, marketing collateral and within client investment management agreements for separately managed client accounts.

## What do you value and need most in ESG ratings?

Please select as many answers as you like

- transparency in data sourcing and methodologies
- timeliness, accuracy and reliability of ESG ratings
- final score of individual factors
- aggregated score of all factors
- rating report explaining the final score or aggregated score
- specific information, please explain
- data accompanying rating
- other aspects

## Please explain your answer:

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Increased transparency with respect to methodologies employed by ESG ratings providers is essential. Regulators should also be mindful of contractual restrictions that can prohibit users from public disclosure of high level ESG metrics of providers' ESG ratings, unless it is done using their selected ESG metrics only. This not only increases costs to users, but it may impede the consistent cross-section comparison of index providers or fund products, as well as create difficulty for investment managers to meet transparency requirements. Furthermore, as ESG assessments vary across providers, the overall ESG profile of the same underlying, e.g. the same index, can and often will differ depending on which ESG data vendor is used for the analysis. This could at times be seen as not desirable, especially for those index providers that also act as ESG vendors. Also, in some instances, a better ESG assessment of an underlying can be seen as desirable for commercial reasons which underscores the importance of the prior point made.

## To what degree to you consider the ESG ratings market to be competitive and allows for choice of ESG rating providers at reasonable costs?

(1 = not competitive, 10 = very competitive)

- 1 - not competitive
- 2
- 3
- 4
-

- 5
- 6
- 7
- 8
- 9
- 10 - very competitive
- Don't know / no opinion / not applicable

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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**Questions for companies subject to ratings**

**Do you have access to ESG ratings of your own company?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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**To what degree do you use ESG ratings to assess the way you manage sustainability risks and opportunities and your impact on the outside world?**

**(1 = not determinant, 10 = very determinant)**

- 1 - not determinant
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10 - determinant
- Don't know / no opinion / not applicable

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**If you do not use ratings, what do you use to assess the way you manage sustainability risks and opportunities and your impact on the outside world?**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Does this vary between individual E, S and G factors?**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.



**Do you provide information on ESG ratings you have received in any of your public documents?**

- Yes
- No
- Don't know / no opinion / not applicable

**Questions for all respondents**

**Do you consider that the market of ESG ratings will continue to grow?**

- Yes
- No
- Don't know / no opinion / not applicable

**If you responded 'yes' to the previous question, to what extent do you expect the following factors to be decisive, on a scale from 1 to 10?**

**(1 = not at all, 10 = very much)**

	1	2	3	4	5	6	7	8	9	10
Growth in demand from investors in ratings of companies for their investment decisions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Growth in demand from companies in ratings including on rating future strategies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Further standardisation of information disclosed by companies and other market participants	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Please specify what other reason(s) you see for this market to continue to grow:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The ESG ratings market will likely continue to grow in importance, as ESG data products become increasingly relevant in reporting, both to our regulators and to clients, as well as for investment decision-making. Regulation is, in part, driving reliance on sourcing ESG ratings and data products from third-party providers, given the detailed nature of sustainability-related reporting requirements. Multiple providers often need to be contracted with in order to obtain sufficient datasets, which significantly increases costs to all users.

**Are you considering to use more ESG ratings in the future?**

- Yes, to a large degree
- Yes, to some degree
- No
- Don't know / no opinion / not applicable

**If you responded 'yes' to the previous question, please explain why:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Our use of ESG ratings will likely expand, steadily. This could be result of an increase in coverage of ESG ratings, or the number of use cases, while also keep up with innovation in this market.

**Do you mostly use ESG ratings from bigger or larger market players?**

- Exclusively from large market players
- Mostly from larger market players
- Mixed
-

Mostly from smaller market players

- Exclusively from smaller market players
- Don't know / no opinion / not applicable

**If you use mostly or exclusively ratings from large ESG rating providers, what are the main reasons for this?**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As mentioned, we currently contract with multiple providers, including large ESG rating providers. This number often fluctuates, for example, as the market consolidates capabilities, or new entrants seek to develop innovative solutions. Our selection is primarily based on ensuring access to quality ESG datasets and products. Larger providers are often able to deliver on broad coverage in addition to comparability and credibility. More importantly, certain clients may instruct us to use a particular provider(s) for the investment management of their mandate.

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**Do you consider there is a sufficient offer of ESG ratings from providers located in the European Union?**

- Yes
- No
- Don't know / no opinion / not applicable

**If you responded 'yes' to the previous question, please explain why:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe there is sufficient offer of ESG ratings from providers in the context of our EU investment activities.

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**Finally, do you use other types of ESG assessment tools than ESG ratings (e.g. controversy screening, rankings, qualitative assessments, etc.)?**

- Yes
- No
- Don't know / no opinion / not applicable

**If you responded ‘yes’ to the previous question, how important are these tools in relation to the implementation of your investment strategies and engagement policies?**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe these tools are very important in the implementation of investment strategies and engagement efforts. Some strategies will only utilise climate assessments, for example, and some clients may want to exclude securities based on a specific exclusionary screening approach

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**Do you believe that due diligences carried out by users of ESG research are sufficient to ensure an acceptable level of quality?**

- Yes
- No
- Don't know / no opinion / not applicable

**If you replied ‘no’ to the previous question, would you see merit in refining the current definition of research under [Directive 2014/65/EU](#)?**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

No, we do not believe it is necessary, nor appropriate, to expand the definition of research under MiFID II as we think the definition is already broad enough to capture ESG ratings provided in that context such that they may or may not be subject to the research/inducement rules. There are factors that should instead be addressed, as below.

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**Do you further believe that ESG research products have reached a sufficient level of maturity and comparability to allow users to fully understand the products they use?**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We do not believe a sufficient level of maturity and comparability has been reached to enable full user understanding. The lack of standardisation is a key factor giving rise to evolving ESG data, methodologies /definitions and reporting.

## II. Functioning of the ESG ratings market

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The study identified several issues on the functioning of the ESG ratings market that may hamper its further development.

In particular, there is an overall demand for greater transparency of objectives sought, methodologies adopted and quality assurance processes in place ESG rating providers.

The timeliness, accuracy and reliability of the output from ESG ratings providers were also identified as issues for the good functioning of this market.

Another issue identified in the study concerns the existence of biases and low correlation across ESG ratings.

The potential for conflicts of interest, particularly associated with providers both evaluating companies and offering paid advisory services, was further highlighted. The study stressed that providers selling multiple products require an appropriate separation between departments to avoid potential conflicts of interest.

This section aims to inform on the functioning of the ESG ratings market and potential issues that hamper its development and trust by market participants.

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### How do you consider that the market of ESG ratings is functioning today?

- Well
- Not well
- Don't know / no opinion / not applicable

### Please explain your answer:

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Overall, the ESG ratings market is growing in importance due to the relevance of ESG ratings in reporting as well as investment decision making, but it remains to be seen how well this market is functioning given the absence of standardisation with regard to, for example, corporate ESG reporting.

### To what degree do you consider that the following shortcomings / problems exist in the ESG ratings market, on a scale of from 1 to 10?

(1 = very little, 10 = important)

	1	2	3	4	5	6	7	8	9	10										

											a c
Lack of transparency on the operations of the providers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Lack of transparency on the methodologies used by the providers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Lack of clear explanation of what individual ESG ratings measure	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Lack of common definition of ESG ratings	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Variety of terminologies used for the same products	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Lack of comparability between the products offered	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Lack of reliability of the ratings	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Potential conflicts of interests	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Lack of supervision and enforcement											

over the functioning of this market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**What do you think of the quality of the ratings offered, on a scale from 1 to 10 ?**

**(1 = very poor, 10 = very good)**

- 1 - very poor
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10 - very good
- Don't know / no opinion / not applicable

**Please explain why:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The quality of ESG ratings has been steadily improving in recent years, given more robust and advanced modelling techniques, increased coverage in addition to more performance-related and quantitative metrics and indicators feeding into the final ratings. This is expected to further improve as sustainability disclosure standards are embedded across the investment chain.

**Do you consider that there are any significant biases with the methodology used by the providers?**

- Yes
- No
- Don't know / no opinion / not applicable

**If you responded yes to the previous question, please specify the biases:**

- Biases based on the size of the company rated
- Biases based on the location of the company
- Other biases
- Don't know / no opinion / not applicable

**If you responded 'other biases' to the previous question, please explain which ones:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Yes - biases on the size of the company, the location of the company and other (companies that disclose information tend to receive accreditation for simply participating, which may be reasonable given vendors are able to better assess the company's initiatives, performance, and policies, compared to companies that more sparsely disclose information, but it does highlight some bias in the overall rating)

---

**Do you think the current level of correlation between ratings assessing the same sustainability aspects is adequate?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 1:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

---

**To what degree do you consider that a low level of correlation between various types of ESG ratings can cause problems for your business and investment decision, as an investor or a rated company, on a scale from 1 to 10 ?**

**(1 = no problem, 10 = significant problem)**



- 1 - no problem
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10 - significant problem
- Don't know / no opinion / not applicable

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Although investment managers can employ a variety of ESG ratings providers, to avoid overreliance on a single provider, using multiple ratings and providers, has a financial impact and requires a significant data governance resource to facilitate.

**How much do you consider each of the following to be an issue, on a scale from 1 to 10 ?**

**(1 = no issue, 10 = very significant issue)**

	1	2	3	4	5	6	7	8	9	10	Don't know / no opinion / not applicable
There is a lack of transparency on the methodology and objectives of	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	

the respective ratings											
The providers do not communicate and disclose the relevant underlying information	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
The providers use very different methodologies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
ESG ratings have different objectives (they assess different sustainability aspects)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Other issue(s)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	

**Do you consider that a variety of types of ESG ratings (assessing different sustainability aspects) is a positive or negative feature of the market?**

- Rather positive
- Rather negative
- Don't know / no opinion / not applicable

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

ESG considerations are extremely broad, ranging from thematic issues like climate or human rights, to impact on externalities, to financial materiality, etc. In order to tackle specific objectives, we need a variety of purpose-built data and ratings. Variation in the ESG ratings market is a rather positive feature.

**To what degree do you consider this market to be prone to potential conflicts of interests on a scale from 1 to 10? (1 = very little, 10 = very much)**

- 1 - very little
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10 - very much
- Don't know / no opinion / not applicable

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

It is possible that conflicts of interest could arise where a provider offers multiple services in relation to ESG ratings and/or credit ratings. We expect providers to be very transparent on their interactions with companies and clients, and to have robust governance, policies and procedures in place that avoid conflicts of interest. This is an area where high level market guidelines could be beneficial.

**If you consider that this market is very much prone to conflicts of interests, where do you see the main risks?**

Please select as many answers as you like

- Where providers both assess companies and offer paid advisory services
- Where providers charge companies to see their own reports
- In the absence of separation of sales and analytical teams
- With the ownership system of some providers, where the parent company may exert undue pressure or influence on the research and recommendations that a ratings provider offers
-

In the lack of public disclosure of the management of potential conflicts of interest

- Other conflict(s) of interest
- 

**To what degree do you consider that the ESG ratings market as it operates today allows for smaller providers to enter the market on a scale from 1 to 10?**

**(1 = hard to enter, 10 = easy to enter)**

- 1 - hard to enter
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10 - easy to enter
- Don't know / no opinion / not applicable

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

There are a plethora of ESG providers of all sizes, and AI/machine learning techniques have allowed smaller enterprises to carve out significant space and interest in the market.

---

**What barriers do you see for smaller providers?**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We do not see barriers beyond the sheer competition and the ability for smaller providers to satisfy increasing demands in this space at a reasonable cost.

---

**Do you consider that the market currently allows for smaller providers who are already present in this market to remain competitive on a scale from 1 to 10 ?**

**(1 = does not allow, 10 = fully allows)**

- 1 - does not allow
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10 - fully allows
- Don't know / no opinion / not applicable

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

---

**To what degree do you consider the fees charged for ESG ratings to be proportionate to the services provided, on a scale from 1 to 10?**

**(1 = not proportionate, 10 = very proportionate)**

- 1 - not proportionate
- 2
- 3

- 4
- 5
- 6
- 7
- 8
- 9
- 10 - very proportionate
- Don't know / no opinion / not applicable

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

It depends upon the individual provider. We have experienced some that offer competitive packages, with vast amounts of quality data at reasonable prices, but there are several instances where the fees charged are not proportionate to the services provided. Moreover, we do not believe there is sufficient transparency in fees due to contractual limitations in sharing such information between users and clients.

---

**Do you consider that information on the fees charged by the providers is sufficiently transparent and clear?**

- Yes
- No
- Don't know / no opinion / not applicable

**If you responded no to the previous question, please specify what you consider should be the minimum information to be disclosed:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

---

### III. Questions on the need for EU intervention

In light of the current situation and recent developments of the ESG ratings markets, and the potential issues affecting it, this section aims to gather stakeholder views on the need and type of a possible intervention at EU level.

## a) Need for an EU intervention

**Taking into account your responses to the previous sections, do you consider that there is a need for an intervention at EU level to remedy the issues identified on the ESG rating market?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain why:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As indicated throughout, we believe there is a need to generally increase transparency across the ESG ratings market – which requires further intervention, as explained below.

**If you responded yes to the previous question, what type of intervention would you consider necessary?**

- Non-regulatory intervention (e.g. guidelines, code of conduct)
- Legislative intervention
- Don't know / no opinion / not applicable

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**If you responded yes to the previous question, what do you consider should be the prime focus of the intervention?**

Please select as many answers as you like

- Improving transparency on the operations of the providers
- Improving transparency on the methodology used by the providers
- Improving the reliability and comparability of ratings
-

Clarifying what is meant by and captured by ESG ratings, to differentiate from other tools and services

- Clarifying objectives of different types of ESG ratings
- Improving transparency on the fees charged by the providers
- Avoiding potential conflicts of interests
- Providing some supervision on the operations of these providers
- Other measures

**Please explain what solutions and options you would consider appropriate in order to improve transparency on the operations of the providers:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Any intervention, including in the form of guidelines or a code of conduct, should focus on improving transparency in methodologies/objectives, while ensuring appropriate controls to mitigate any conflicts of interests.

**Please explain what solutions and options you would consider appropriate in order to clarify what is meant by and captured by ESG ratings, to differentiate from other tools and services:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Please explain what solutions and options you would consider appropriate in order to clarify objectives of different types of ESG ratings:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Please explain what solutions and options you would consider appropriate in order to improve transparency on the fees charged by the providers:**



5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Please explain what solutions and options you would consider appropriate in order to avoid potential conflicts of interests:**

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Do you consider that the providers should be subject to an authorisation or registration system in order to offer their services in the EU?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain why:**

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We do not consider it a necessary prerequisite and defer to the opinion of providers

**Do you consider that the providers should be subject to an authorisation or registration system in order to provide ESG ratings on EU companies or non-EU companies' financial instruments listed in the EU even if they offer services to global or non-EU investors?**

- Yes
- No
-

Don't know / no opinion / not applicable

**Please explain why:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

---

**Do you consider that there should be some minimum disclosure requirements in relation to methodologies used by ESG rating providers?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain why:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We recommend greater alignment in transparency requirements applicable to managers of index-tracking ETFs (and other index products) stipulated under the revised EU Benchmark Regulation framework for providers and the EU Sustainable Finance Disclosure Regulation.

---

**Do you consider that the providers should be using standardised templates for disclosing information on their methodology?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

A standardised template is not essential, though we do require ESG ratings providers to provide more transparency around their methodologies and particular criteria, especially as it relates to enabling financial market participants to fulfil their regulatory disclosure obligations -- either through existing means of disclosure to users, or new forms established via industry-led code of conduct.

---

**Do you consider that the rules should be tailored to the size of the provider and hence have smaller providers subject to a lighter regime?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

---

**Should the providers located outside of the EU, not providing services to the EU investors but providing ratings of the European companies/financial products be subject to a lighter regime?**

- Yes
- No
- Don't know / no opinion / not applicable

---

## **b) Costs of an EU intervention**

### **Questions for ESG rating providers**

**Assume that in order to offer services to investors in the European Union or to rate European companies/financial products, ESG rating providers would be subject to an authorisation or registration requirement.**

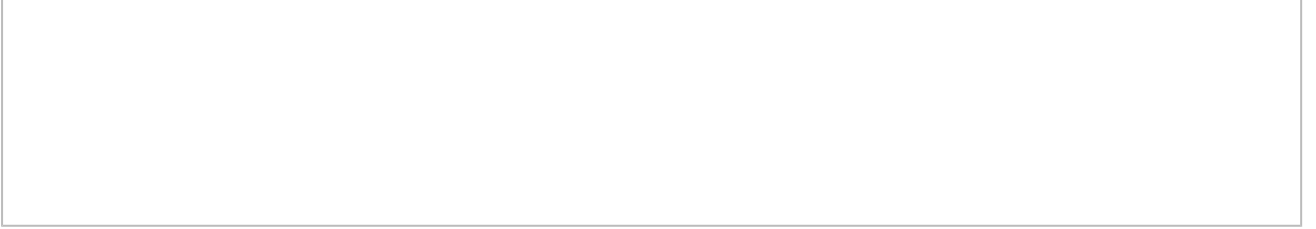
**How high would you estimate the one-off cost of applying for such an authorisation/registration?**

**Please provide an estimate in EUR:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

---



In order to increase transparency, there may be considerations to introduce disclosure obligations on ESG rating providers. This could include, for example, disclosures on websites or annual reports on the operations and methodologies used by ESG rating providers and/or providing more information on how these methodologies were applied to specific ratings.

Please estimate the number of hours needed to produce the following disclosures:

	One-off costs (total hours) for disclosures on the operations and methodologies	Ongoing costs (hours per week) for disclosures on the operations and methodologies	Additional disclosures in ratings (hours per rating)
Negligible			
Less than 5 hours (but not negligible)			
5 to 9 hours			
10 to 19 hours			
20 to 39 hours			
40 to 79 hours			
80 to 160 hours			

More than 160 hours

---

**If you chose more than 160 hours in the table above, please provide an indication of how many hours would be needed (for the costs in each column, as applicable). You may also provide any further explanations:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

---

**What percentage of these costs would be incurred even in the absence of legislation?**

- 0%
- 1-20%
- 21%-40%
- 41%-60%
- 61%-80%
- 81%-100%
- Don't know / no opinion / not applicable

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

---

**Do you see any other costs related to providing these disclosures (e.g. adjustment of IT systems, external consultants, etc.)?**

- Yes
- No
- Don't know / no opinion / not applicable

**How many hours of work would you consider necessary to perform tasks that would be linked to granting an authorisation for one ESG rating provider?**

- Negligible time
  - Less than 5 hours (but not negligible)
  - 5 to 9 hours
  - 10 to 19 hours
  - 20 to 40 hours
  - More than 40 hours
  - Don't know / no opinion / not applicable
- 

**If there were similar conflict of interest provisions introduced for ESG rating providers as in Article 6 and Annex I to [Regulation \(EU\) 1060/2009 \(CRA regulation\)](#), would you consider the associated costs to be of similar magnitude?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

---

**Do you expect that you would face any further costs as an ESG rating provider as a result of a possible legal framework besides those mentioned above?**

- Yes
- No
- Don't know / no opinion / not applicable



**If yes, please explain what types of costs, whether they would be one-off or**

**ongoing and provide estimates if possible:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

---

**Do you estimate that possible additional compliance costs implied by a minimum requirement framework for ESG ratings would be compensated by the benefits of higher quality and more reliable ratings?**

- Not at all
- To some extent
- To a reasonable extent
- To a great extent
- Don't know / no opinion / not applicable

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

---

**What other impact(s) of a regulatory and supervisory framework on the operations of ESG rating providers would you see (e.g. potential impacts on competition, SMEs assessed by ratings, users of ratings, sustainable development)?**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

---

## Questions for supervisors

**How many hours of work would you consider necessary to perform tasks that would be linked to granting an authorisation for one ESG rating provider?**

- Negligible time
  - Less than 5 hours (but not negligible)
  - 5 to 9 hours
  - 10 to 19 hours
  - 20 to 40 hours
  - More than 40 hours
  - Don't know / no opinion / not applicable
- 

**How many hours per week would you consider necessary to perform supervisory tasks per ESG rating provider?**

- Negligible time
- Less than 5 hours (but not negligible)
- 5 to 9 hours
- 10 to 19 hours
- More than 20 hours
- Don't know / no opinion / not applicable

## **PART B - Incorporation of ESG factors in credit ratings**

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The provision of credit ratings is highly regulated in the EU as well as globally. Global standards are established by the [IOSCO in its code of conduct for CRAs](#). The EU legal framework regulates the activities of CRAs with a view to protect investors and financial markets by guaranteeing the transparency, independence and integrity of the credit rating process – thereby enhancing the quality of ratings. All CRAs operating in the EU need to register with ESMA, which is the sole European supervisor. Credit ratings used for the purposes stemming from the EUvlegislation need to be provided by CRAs registered and supervised by ESMA. If a non-EU CRA wants its ratings to be used for regulatory requirements in the EU (i.e. by EU financial institutions), the [CRA Regulation](#) provides for two alternatives, certification or endorsement.

There are a number of EU regulatory requirements related to the use of credit ratings. , in particular, in the [Capital Requirements Regulation \(CRR\)](#) and in the [Solvency Capital Requirement \(SCR\)](#). The European Central Bank also makes extensive use of credit ratings in its open market operations.

Both EU legislation ([Regulation \(EU\) No 462/2013](#)) and the IOSCO code of conduct define precisely the objective of the credit rating: ‘credit rating means an opinion regarding the creditworthiness of an entity, a debt or financial obligation, debt security, preferred share or other financial instrument, or of an issuer of such a debt or financial obligation, debt security, preferred share or other financial instrument, issued using an established and defined ranking system of rating categories’.

In other words, credit ratings assess the likelihood of the default of the rated entity or security. Credit ratings reply to the question: “what is the likelihood of getting my money back?” They are neither investment recommendations nor they determine the value of the rated entity or instruments.

ESG risks may be relevant for the assessment of creditworthiness depending on the sector, geographical location and the entity itself. CRAs methodologies define which factors, including ESG factors, are considered to be relevant for the assessment of creditworthiness and how they are taken into account in the credit rating process. ESMA supervises the soundness of methodologies, which in accordance with the CRA Regulation need to be rigorous, systematic, continuous, based on historical experience and back-tested. In its Technical Advice provided to the Commission in 2019, ESMA concluded that while it is clear that CRAs are considering E, S or G factors in their credit ratings, the extent to which each factor is considered varies by asset class, according to the importance assigned to that factor by a CRA’s methodology. Currently, ESMA is conducting a thorough assessment of how CRA’s methodologies incorporate sustainability risks.

The CRA Regulation includes a number of disclosure obligations in relation to the methodologies as well as individual credit ratings. In 2019, [ESMA conducted a public consultation on disclosure requirements applicable to credit ratings](#). Following the finding on the insufficient transparency on the relevance of ESG factors to credit ratings, one of the topics of the consultation, [ESMA issued guidelines on disclosure requirements applicable to credit ratings](#).

These ESMA guidelines expect CRAs to identify in their press releases if ESG factors have been key drivers behind a change in the credit rating. CRAs are asked to identify relevant factors, elaborate on their materiality and provide a reference to the methodology or the associated model. The ESMA guidelines came into effect in April 2020.

A recent assessment of the application of the guidelines revealed that the improvement of transparency has been partial. ESMA has analysed press releases over the period January 2019 – December 2020 and compared the number of references to ESG considerations before and after April 2020. The main findings are that the improvement is partial and not uniform.

This consultation builds on the findings of ESMA and the consultation on renewed sustainable finance strategy.

## I. Questions to users of credit ratings

---

### Do you use credit ratings for investment decisions?

- Yes, as a starting point for internal analysis
  - Yes, as one of many sources of information that influence investment decisions
  - Yes, as a decisive input into an investment decision
  - No
  - Other
  - Don’t know / no opinion / not applicable
-

**Do you use credit ratings for regulatory purposes (e.g. stemming from the [Capital Requirements Regulation](#) or [Solvency II](#))?**

- Yes
- No
- These requirements don't apply to me
- Don't know / no opinion / not applicable

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Is it important for you to understand to what extent individual credit rating actions have been influenced by sustainability factors?**

- Not important at all
- Slightly important
- Important
- Very important
- Don't know / no opinion / not applicable

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Do you find information about the extent to which CRAs methodologies or the rating process incorporate sustainability factors sufficiently well disclosed?**

- Yes
-

No

- Don't know / no opinion / not applicable

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Where do you look currently for the information on how ESG factors impact the credit rating?**

Please select as many answers as you like

- Press release accompanying credit ratings
- Additional analysis and reports available to subscribers
- Additional information materials available publicly
- Description of methodologies or rating process for specific asset classes, sectors or types of entities
- Frameworks or documents describing general approach to incorporation of ESG factors in credit rating process
- I don't know where to find such information
- Other

**Does the level of disclosure differ depending on individual CRAs?**

- Yes
- No
- Don't know / no opinion / not applicable

**What are the trends on the market in relation to disclosure of information as to which credit ratings actions have been influenced by sustainability factors?**

Please select as many answers as you like

The level of disclosure has improved sufficiently since the entry into effect of ESMA guidelines (April 2020)

- In general the level of disclosure has improved sufficiently although some CRAs are lagging behind
- The overall level of disclosure is insufficient although some CRAs have sufficiently improved

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

---

**The extent to which CRAs incorporate ESG factors in credit ratings depends on the asset classes methodologies and the importance assigned to the given factor by a CRA's methodology. In addition, some CRAs have developed overall frameworks explaining how they incorporate ESG factors in credit ratings across asset classes, some publish reports reviewing past credit rating actions or specific sections accompanying credit rating actions.**

**In your opinion, what are trends in the relation to the incorporation of ESG factors in the credit rating process and methodologies?**

- CRAs have sufficiently improved the incorporation of ESG factors in their methodologies and rating process
- In general CRAs have sufficiently improved the incorporation of ESG factors in credit ratings although some CRAs are lagging behind
- In general the development is insufficient although some CRAs have improved the incorporation of ESG factors in their methodologies and rating process
- CRAs have insufficiently improved the incorporation of ESG factors in their methodologies and rating process
- Don't know / no opinion / not applicable

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

## II. Questions to Credit Rating Agencies

---

**Do you explicitly incorporate ESG factors in your methodologies?**

- Yes
- Yes, but only for asset classes and sectors where relevant
- Partially
- No
- Don't know / no opinion / not applicable

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

---

**Which individual E, S and G factors do you consider in your methodologies?**

Please select as many answers as you like

- Environmental factors
- Social factors
- Governance factors
- Other sustainability related factors

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

---

**In addition to methodologies, do you have a framework or a document describing how you incorporate ESG factors in the credit rating process?**

**By framework, we mean any general approach to the incorporation of ESG factors in credit rating process, in addition to methodologies for asset classes and sectors:**

- Yes
- No
- Other
- Don't know / no opinion / not applicable

---

**Have you improved disclosure on ESG factors in credit ratings since April 2020 when ESMA guidelines became applicable?**

- Yes
- Partially
- No, but we plan to improve
- No, because we have already been disclosing such information
- No
- Don't know / no opinion / not applicable

### **III. Questions on the need for EU intervention (all respondents)**

---

**Do you consider that the current trends in the market are sufficient to ensure that CRAs incorporate relevant ESG factors in credit ratings?**

- Yes
- No
- Don't know / no opinion / not applicable

---

**Do you consider that the current trends in the market and application of ESMA guidelines on disclosure applicable to CRAs are sufficient to ensure understanding among users as to how ESG factors influence credit ratings?**



- Yes
- No
- Don't know / no opinion / not applicable

**If you responded 'no' to the previous questions, what type of intervention would you consider necessary?**

Please select as many answers as you like

- Further detailing of ESMA guidelines on the disclosure of ESG factors in credit ratings
- Further supervisory actions by ESMA
- Legislative intervention
- While improvements are insufficient, we do not see further scope for EU intervention
- Other

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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**Regarding the possible regulatory intervention, what type of requirements do you find relevant?**

Please select as many answers as you like

- Press releases: introduce mandatory requirements mirroring the provision of ESMA guidance on the disclosure ESG factors in credit ratings
- Press releases: in addition to the previous option require CRAs to publish information not only about the impact of ESG factors on credit ratings, but also the lack of it
- Methodologies: require CRAs to explain the relevance of ESG factors in methodologies
- Methodologies: require CRAs to take into account ESG factors where relevant
- Other

## Please explain your answer:

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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## What kind of risks or merits of the EU intervention do you see?

Please select as many answers as you like

- Provide further clarity on the impact of ESG factors on the creditworthiness of creditors and financial instruments
- More coherent approach of CRAs to the incorporation of ESG factors into credit ratings
- Concerns about too much prominence given to ESG factors
- Others

## Please explain your answer:

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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## What would be the consequences of the lack of the EU intervention?

Please select as many answers as you like

- Market trends are sufficient to meet investors demands for information on the impact of ESG factors on credit ratings
- CRAs will respond to market pressure and ensure the incorporation of ESG factors in credit ratings
- The existing gap between approaches of CRAs to the incorporation of ESG factors in credit ratings will grow
-

Concerns about the insufficient incorporation of ESG factors in credit ratings  
lack of understanding among investors why certain credit rating actions are  
not impacted by ESG factors

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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**Costs of EU intervention - questions for CRAs**

**Where applicable, what are your costs in EUR to disclose information based on the current guidelines on disclosure of ESG factors in credit ratings?**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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**Would you foresee any additional compliance costs if the current guidelines on disclosure of ESG factors in credit ratings were to become part of the EU legislation?**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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**To what degree do CRAs overall already follow the guidelines in the absence of an obligation to do so?**

0%

- 1-40%
- 41%-60%
- 61%-80%
- 81%-90%
- 91%-99%
- 100%
- Don't know / no opinion / not applicable

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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**Would you expect additional compliance costs if EU legislation explicitly required CRAs to take into account ESG factors where relevant in the rating process?**

- No or negligible additional costs
- Low additional costs
- Moderate additional costs
- High additional costs
- Don't know / no opinion / not applicable

## **Additional information**

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Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) below. **Please make sure you do not include any personal data in the file you upload if you want to remain anonymous.**

The maximum file size is 1 MB.

You can upload several files.

Only files of the type pdf,txt,doc,docx,odt,rtf are allowed

## Useful links

[More on this consultation \(https://ec.europa.eu/info/publications/finance-consultations-2022-esg-ratings\\_en\)](https://ec.europa.eu/info/publications/finance-consultations-2022-esg-ratings_en)

[Consultation document \(https://ec.europa.eu/info/files/2021-esg-ratings-consultation-document\\_en\)](https://ec.europa.eu/info/files/2021-esg-ratings-consultation-document_en)

[Call for evidence accompanying this consultation \(https://ec.europa.eu/info/law/better-regulation/initiatives/plan-2021-12801\\_en\)](https://ec.europa.eu/info/law/better-regulation/initiatives/plan-2021-12801_en)

[More on EU labels for benchmarks \(climate, ESG\) and benchmarks ESG disclosures \(https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-climate-benchmarks-and-benchmarks-esg-disclosures\\_en\)](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-climate-benchmarks-and-benchmarks-esg-disclosures_en)

[More on credit rating agencies \(https://ec.europa.eu/info/business-economy-euro/banking-and-finance/financial-supervision-and-risk-management/managing-risks-banks-and-financial-institutions/regulating-credit-rating-agencies\\_en\)](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/financial-supervision-and-risk-management/managing-risks-banks-and-financial-institutions/regulating-credit-rating-agencies_en)

[Specific privacy statement \(https://ec.europa.eu/info/files/2022-esg-ratings-privacy-statement\\_en\)](https://ec.europa.eu/info/files/2022-esg-ratings-privacy-statement_en)

[More on the Transparency register \(http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en\)](http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en)

## Contact

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