

To: ESMA

Submitted electronically

The Hague, 19 March 2019

Ref: B19.02

Subject: **Eumedion response to ESMA's consultation 'Guidelines on Disclosure Requirements Applicable to Credit Ratings' (ESMA 33-9-290)**

Dear Sir, Madam,

Eumedion welcomes the opportunity to submit a response on ESMA's consultation 'Guidelines on Disclosure Requirements Applicable to Credit Ratings'. Eumedion represents the interests of 65 institutional investors, all of whom are committed to a long-term investment horizon. Together our participants invest over € 5 trillion of capital in equity and corporate debt instruments. Eumedion aims to promote good corporate governance and sustainability in the companies our participants invest in. We confine our response to providing answers to the posed questions.

If ESMA would like to discuss our views in further detail, please do not hesitate to contact us. Our contact person is Martijn Bos (martijn.bos@eumedion.nl, +31 70 2040 304).

Yours sincerely,

Rients Abma

Executive Director

Eumedion

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Q1 Do you agree with the proposed Guidelines for press releases that accompany credit ratings or rating outlooks? If not, please explain.

We agree.

Q2 Do you agree that a standardised scheme indicating the rated entities level of participation would be beneficial? Do you have any comments on the proposed standardised scheme?

We agree with all proposed guidelines, except the formatting guideline 'iii'. We are not convinced that investors are helped by the proposed presentation format for unsolicited credit ratings:

Unsolicited Credit Rating			
[YES]		[YES] / [NO]	
With Participation		No Participation	
[NO]	[YES]	[YES] / [NO]	[YES] / [NO]
Of Issuer	Of Related Third Party	Of Issuer	Of Related Third Party
Access to Accounts		Access to Accounts	
[YES]	[YES]	[YES] / [NO]	[YES] / [NO]
Of Issuer	Of Related Third Party	Of Issuer	Of Related Third Party

In this format, it is not clear how answering 'no participation' in the right column could subsequently result in a 'Yes' to either 'Of issuer' or 'Of related third party'. It is also difficult to imagine how the CRA could have access to 'the accounts' without participation of the issuer.

We would prefer the term 'Access to non-public information of the issuer' above 'Access to accounts'. Not all non-public information shared by the company with the CRA may qualify as 'Accounts'. Also, the term 'accounts' is also used for the financial accounts in financial reports that already are available to the general public.

Given that only three rating agencies provide over 93% of the ratings, we see less of need for ESMA to prescribe a detailed format for reporting on the content elements in detail.¹ This would also hamper future innovation in improved headings of press releases.

Q3 Do you have any comments on specific items under this section? If yes please explain with reference to the proposed item's number

No.

¹ <https://www.esma.europa.eu/press-news/esma-news/esma-reports-annual-market-share-credit-rating-agencies>

Q4 Do you have any comments on the proposed Guidelines under this section?

Eumedion supports the proposed changes, with an important modification. We disagree with paragraph 68 that it would be sufficient to merely mention a phrase like ‘A separate statement explaining that the effectiveness of a rated entities’ Board of Directors is considered by that CRA to be a Governance factor.’ Such statement would be much more insightful for investors if it would be accompanied by an indication whether this factor is seen as either positively or negatively contributing to the overall credit assessment (without the need that such factor actually caused a rating to be notched higher or lower). In this particular case the improved statement could read: ‘A separate statement explaining that the effectiveness of a rated entities’ Board of Directors is considered by that CRA to be a negative Governance factor that did (not) affect the credit rating.’

We would like to express our agreement with paragraph 57 that states ‘.. in no way does this guidance recommend or mandate what factors a CRA should be considering as part of their creditworthiness assessments nor does it suggest that the consideration of ESG factors are more important than other factors to the creditworthiness assessment of an entity or issuer.’

Q5 Are there any additional actions that CRAs could take to improve the disclosure of the consideration of ESG factors?

No.