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| Reply form  for the Consultation Paper on Technical Standards under the Regulation on transparency and integrity of Environmental, Social and Governance (ESG) rating activities |
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**General information about respondent**

|  |  |
| --- | --- |
| Name of the company / organisation | IOGP Europe |
| Activity | Non-financial counterparty |
| Are you representing an association? |  |
| Country/Region | Europe |

**Questions**

**Q1** **Do you agree with ESMA’s proposals for the draft technical standard under Articles 6(3) and 12(9)?**

<ESMA\_QUESTION\_ESGR\_1>

IOGP Europe supports ESMA's proposals under Articles 6(3) and 12(9), We believe that strong upfront obligations, including clear documentation of methodologies, governance structures, internal controls and data quality policies are crucial for establishing the credibility and robustness of providers.

Requiring rating providers to submit detailed explanations of their models, rating assumptions and sectoral materiality frameworks is critical to ensuring consistency and comparability.

Additionally, we recommend that ESMA assess whether applicants have procedures in place for engaging with rated entities, particularly those in complex sectors. Understanding whether and how a provider incorporates issuer feedback or sectoral expertise can provide early insights into methodological integrity. This reflects findings in the OECD's 2024 report, which emphasized the importance of engagement and procedural fairness in ESG assessments.

We also encourage ESMA to explicitly require providers to disclose which ESG factors are considered, how they are measured, and the weightings applied, in line with the [Berg et al. study (2019),](https://academic.oup.com/rof/article/26/6/1315/6590670) which identified methodological divergence and lack of clarity as key drivers of inconsistency across ESG ratings.

<ESMA\_QUESTION\_ESGR\_1>

**Q2** **Do you agree with ESMA’s proposals for the draft technical standard under Article 16(5)?**

<ESMA\_QUESTION\_ ESGR\_2>

We support ESMA’s proposals under Article 16(5), particularly the requirement for ESG rating providers to implement effective measures to prevent conflicts of interest, including consulting or auditing.

In addition to these structural safeguards, we encourage ESMA to broaden the interpretation of *conflict of interest* to address the risks arising from methodological and normative bias. Certain ESG methodologies may embed subjective value judgments and assumptions around energy transition timelines, technology viability or policy pathways that disadvantage certain sectors regardless of performance or regulatory compliance. Ideological weighting can function as a conflict of interest if not transparently disclosed or controlled for. This aligns with concerns raised in the [ICMA Code of Conduct](https://www.icmagroup.org/assets/DRWG-Code-of-Conduct-for-ESG-Ratings-and-Data-Products-Providers-v3.pdf), which stresses the need for governance mechanisms to detect and address embedded normative bias.

<ESMA\_QUESTION\_ ESGR\_2>

**Q3. Do you agree with ESMA’s proposals for the draft technical standard under Articles 23(4) and 24(3)?**

<ESMA\_QUESTION\_ ESGR\_3>

We agree with ESMA’s proposals under Article 23(4) and 24(3), These disclosures, as outlined in Annex III, are essential for enhancing the transparency and comparability of ESG ratings and avoiding misinterpretations of sectoral performance.

Additionally, we encourage ESMA to consider mandating disclosure of engagement practices with rated entities. Many ESG ratings are issued without meaningful consultation, which may lead to factual inaccuracies. We believe this information should be included in Annex III disclosures to assess the rigor and fairness of the ratings process.

Transparency alone is insufficient without clarity on how sector specific factors and transition efforts are accounted for. ESMA should encourage rating providers to disclose how they integrate decarbonization pathways, regulatory compliance and sector-specific materiality considerations in their methodologies. This is particularly important in industries where long-term transition planning and regulatory alignment are key ESG performance indicators that may not be captured through generic criteria.

Additionally, there is a lack of clarity in how rating agencies collect, validate, and weight controversies in ESG scoring. Our sector has encountered cases where outdated or misleading allegations remained embedded in ESG scores, even after verified rebuttals were provided. This absence of a transparent controversy management process undermines fairness and due process. We recommend that ESMA include minimum standards for controversy assessment and reassessment, including timelines, issuer response opportunities, and disclosure of whether controversies materially influenced the rating. These recommendations align with best practices outlined in [MSCI’s ESG Controversy methodology](https://www.msci.com/documents/1296102/14524248/ESG-Research-Controversies-Methodology.pdf) and are echoed in recent [SpringerLink research on stakeholder engagement](https://link.springer.com/chapter/10.1007/978-981-96-0316-9_8).

<ESMA\_QUESTION\_ ESGR\_3>

**Q4. Do you consider that the draft technical standards under Articles 23(4) or 24(3) should instead provide an expanded table in Annex proposing a sequence and structure for all disclosures to be made under parts 1 and 2 of Annex III? If yes, please explain the benefits of such an approach.**

<ESMA\_QUESTION\_ ESGR\_4>

We support the use of a structured, standardized disclosure table. We believe this approach increases clarity, comparability and usability for all market participants. We encourage ESMA to consider extending this structured format to cover the disclosures required under Part 2 of Annex III. Rated entities increasingly rely on these disclosures to understand how ratings are derived and how to improve performance. A standardized framework would improve clarity and facilitate easier comparison of ESG ratings across different providers and sectors.

<ESMA\_QUESTION\_ ESGR\_4>

**Q5 Do you agree with ESMA’s proposed cost benefit analysis? If not, please explain.**

<ESMA\_QUESTION\_ ESGR\_5>

IOGP Europe agrees with the proposed cost-benefit analysis as we find it is clear. However, we recommend that ESMA conduct a follow-up analysis after the implementation phase to evaluate the impact of the RTS on reducing the current administrative burden stemming from multiple non-aligned ESG data requests. Evidence from IOGP Europe members and industry-wide surveys suggests that duplicative ESG ratings and proprietary surveys lead to high resource costs and compliance inefficiencies, which could be mitigated through alignment with globally recognised frameworks such as CSRD and ISSB.

<ESMA\_QUESTION\_ ESGR\_5>