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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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**Responding to this paper**

ESMA invites comments on all matters in this consultation paper and in particular on the specific questions. Comments are most helpful if they:

* respond to the question stated;
* indicate the specific question to which the comment relates;
* contain a clear rationale; and
* describe any alternatives ESMA should consider.

ESMA will consider all comments received by **20 June 2025.**

**Instructions**

In order to facilitate analysis of responses to the Consultation Paper, respondents are requested to follow the below steps when preparing and submitting their response:

1. Insert your responses to the questions in the Consultation Paper in the present response form.
2. Use this form and send your responses in Word format (**pdf documents will not be considered except for annexes**);
3. Please do not remove tags of the type <ESMA\_QUESTION \_ESGR\_1>. Your response to each question has to be framed by the two tags corresponding to the question.
4. If you do not wish to respond to a given question, please do not delete it but simply leave the text “TYPE YOUR TEXT HERE” between the tags.
5. When you have drafted your response, name your response form according to the following convention: ESMA\_EUGB\_nameofrespondent\_RESPONSEFORM. For example, for a respondent named ABCD, the response form would be entitled ESMA\_ESGR\_ABCD\_RESPONSEFORM.
6. Upload the form containing your responses, **in Word format**, to ESMA’s website (www.esma.europa.eu under the heading “Your input – Open Consultations” -> Consultation Paper on technical standards on the European Green Bonds Regulation”).

**Publication of responses**

All contributions received will be published following the close of the consultation, unless you request otherwise. Please clearly and prominently indicate in your submission any part you do not wish to be publically disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESMA’s rules on access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESMA’s Board of Appeal and the European Ombudsman.

**Data protection**

Information on data protection can be found at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading [Legal Notice](http://www.esma.europa.eu/legal-notice).

**Who should read this paper**

# All interested stakeholders are invited to respond to this Consultation Paper. In particular, ESMA encourages entities that intend to apply for registration as external reviewers of European Green Bonds, as well as financial market participants who have or intend to issue or invest in green bonds or sustainability-linked bonds, to participate.

**General information about respondent**

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| Name of the company / organisation | Moody’s |
| Activity | Other Financial service providers |
| Are you representing an association? |  |
| Country/Region | International |

**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>

We believe the proposed information requirements would benefit from some targeted adjustments:

- Part I on “Procedures and methodologies of ESG ratings” foresees information on the procedures to review ESG rating products (subpoint 2) and on the procedures to review ESG rating methodologies, models and key rating assumptions (subpoint 3). However, Regulation (EU) 2024/3005 on the transparency and integrity of Environmental, Social and Governance rating activities (“ESGRAR”) only requires the regular review of ESG rating methodologies. We suggest deleting the proposed information in respect of individual rating products, as well as models and assumptions.

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| **ESMA’s Proposed RTS** | **New Proposed Text** |
| Part I) - Procedures and methodologies of ESG ratings  2) Procedures for the review of each ESG rating product.  3) Procedures for the review of ESG rating methodologies, models and key rating assumptions. | Part I) - Procedures and methodologies of ESG ratings  2) ***~~Procedures for the review of each ESG rating product.~~***  3) Procedures for the review of ESG rating methodologies**.*~~, models and key rating assumptions.~~*** |

In respect of Part N, “Previous ESG rating activities”, we suggest this requirement should only apply from the date of application of ESGRAR. The scope of application of this Regulation is wide and a requirement to classify products that a firm provided in the past as either constituting ESG rating products under this Regulation, or not, would expose firms to unnecessary legal uncertainty.

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| **ESMA’s Proposed RTS** | **New Proposed Text** |
| Part N) – Previous ESG rating activities  Where applicable, information about previous ESG rating activities, including:  a)  a) Any licences held and relevant dates of validity;  b) ESG rating products within the meaning of Article 3(1) of Regulation (EU) 2024/3005 that the applicant provided;  c) name of legal entity;  d) where appliable, identity of supervisory authority. | Part N) – Previous ESG rating activities  Where applicable, information about previous ESG rating activities ***within the meaning of Article 3(1) of Regulation (EU) 2024/3005 that the applicant provided since the date of application of this Regulation***, including:  a) Any licences held and relevant dates of validity;  b) ***~~ESG rating products within the meaning of Article 3(1) of Regulation (EU) 2024/3005 that the applicant provided;~~***  c) name of legal entity;  d) where appliable, identity of supervisory authority. |

<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>

ESMA’s proposed requirement of physical separation is substantially new and has no legal basis in the Level 1 text. We understand that the purpose is to ensure the independence of ESG rating providers. However, there are a range of ways to achieve this and imposing specific physical segregation is unduly restrictive and prescriptive. Instead we would propose just requiring that sufficient controls be put in place to achieve the objectives of this provision.

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| **ESMA’s Proposed RTS** | **New Proposed Text** |
| 1. ESG rating providers shall:  (b) implement physical separation measures that provide for a segregated office space and secure access for employees and other persons directly involved in the assessment process of a rated item; | 1. ESG rating providers shall:  (b) implement ***~~physical~~*** ***operational controls*** ***~~separation measures~~*** ***~~that provide for a segregated office space and secure access for employees and other~~*** ***designed to safeguard confidential information and ensure the independence of*** persons directly involved in the assessment ***activities*** ***~~process~~*** of a rated item; |

<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 believe that the proposed disclosure requirements on the whole are overly detailed and would benefit from significant simplification, as set out in the following:

Article 4.1 assumes a lot of technical detail that might not be relevant in every instance, given the wide scope of application of the Regulation, and we suggest clarifications that these are subject to applicability.

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| **ESMA’s Proposed RTS** | **New Proposed Text** |
| **Article 4**  1. As part of the information disclosed in accordance with Annex III, point 1, letter (a), of Regulation (EU) 2024/3005, ESG rating providers shall include all of the following:  (a) the name or unique identifier of the applicable methodology;  (b) the list and overview of relevant supporting models and key rating assumptions;  (c) the time-horizon over which the ESG rating is considered valid;  (d) the time-horizon of the backward-looking data and forward-looking data taken into consideration;  (e) how major new information is taken into account in the methodology;  (f) the dates of the last update of the methodology and the changes made compared to the previous version;  (g) data estimation methods and methods to address limitations in data sources; | **Article 4**  1. As part of the information disclosed in accordance with Annex III, point 1, letter (a), of Regulation (EU) 2024/3005, ESG rating providers shall include all of the following:  (a) the name or unique identifier of the applicable methodology;  (b) ***where applicable,*** the list and overview of relevant supporting models and key rating assumptions;  (c) ***where applicable,*** the time-horizon over which the ESG rating is considered valid;  (d) ***where applicable,*** the time-horizon of the backward-looking data and forward-looking data taken into consideration;  (e) ***where applicable,*** how major new information is taken into account inthe methodology;  (f) the dates of the last update of the methodology and the changes made compared to the previous version;  (g) ***where applicable,*** data estimation methods and methods to address limitations in data sources; |

We further suggest deleting Article 4.4 of the draft RTS as the text of the underlying Regulation is sufficiently clear and the expected classification of AI technologies into specific “types” introduces unnecessary uncertainty.

We are concerned that Article 5 of the proposed RTS exaggerates the shortcomings of data sources, methodologies and information. Again, we consider that the underlying Regulation is sufficiently clear and suggest deletion.

Regarding Article 6, point 1 (a) (b) and (c) of the draft RTS we propose alignment of the language with Annex III, point 1 , letter (n), of ESGRAR, so as to mirror the materiality qualifications of the underlying legal text, as follows:

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| **ESMA’s Proposed RTS** | **New Proposed Text** |
| **Article 6**  1. As part of the information disclosed in accordance with Annex III, point 1 , letter (n), of Regulation (EU) 2024/3005, ESG rating providers shall explain the following:  (a) in which areas the identified risks occur;  (b) why the ESG rating provider considers the identified risks to pose an actual or potential conflict of interest;  (c) how the identified risks are mitigated; | **Article 6**  1. As part of the information disclosed in accordance with Annex III, point 1 , letter (n), of Regulation (EU) 2024/3005, ESG rating providers shall explain the following:  (a) in which areas the identified ***main*** risks occur;  (b) why the ESG rating provider considers the identified ***main*** risks to pose an actual or potential conflict of interest;  (c) how the identified ***main*** risks are mitigated; |

We suggest deleting Article 6 point 1 (d) as it unnecessarily singles out one particular type of possible conflicts of interest and stands at odds with the more appropriately risk-focused requirements in draft Articles 1(a)-(c).

We suggest deleting Article 6.2. The required detail is extensive and may at most be deemed appropriate for supervisory purposes. In contrast, public disclosure is not justified by the requirements of the underlying Regulation. We do not think that the underlying requirements about disclosure in respect of ESG rating providers’ ownership warrant further clarification.

We suggest deletion of Article 6.3, subpoints (c) and (d). These go well beyond the spirit of the underlying Regulation, which requires “general information”, and are commercially sensitive.

We suggest deleting Article 7.2 of the proposed RTS, which seems to discourage direct engagement with assessed entities. Specifically, under the proposed item (a) it is questionable what benefit disclosures about the means of engagement are meant to provide. Item (b) of the draft RTS seems to question the benefit of face to face engagement with assessed entities, and related disclosures are unlikely to provide meaningful insights. Item (c) appears to be overly preoccupied with the treatment of internal documents. We believe the text of the underlying provisions in ESGRAR is sufficiently clear.

We suggest deleting draft RTS Article 7 point 3. The underlying requirement of Annex III, point 2, letter (a), subpoint (iv), of ESGRAR already requests disclosure of “any potential shortcomings of methodologies, and the measures taken to address those shortcomings”. The proposed additional language appears to raise unsupported doubts over the value of quantitative models, and related disclosures are unlikely to provide meaningful insight.

In Article 8.1(d), we suggest a clarification that the disclosure of the potential impact of the revision of methodologies pertains only to assessments that are monitored on an ongoing basis, as follows:

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| **ESMA’s Proposed RTS** | **New Proposed Text** |
| **Article 8**  Revision of data and methodologies  1. As part of the information disclosed in accordance with Annex III, point 2, letter (a), subpoint (v), of Regulation (EU) 2024/3005, ESG rating providers shall provide an explanation of the following items:  […]  (d) the process for assessing the potential impact of the revision on ESG ratings subject to the relevant methodology. | **Article 8**  Revision of data and methodologies  1. As part of the information disclosed in accordance with Annex III, point 2, letter (a), subpoint (v), of Regulation (EU) 2024/3005, ESG rating providers shall provide an explanation of the following items:  […]  (d) the process for assessing the potential impact of the revision on ***monitored*** ESG ratings subject to the relevant methodology. |

<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 believe the disclosure requirements in Annex III of ESGRAR are already very detailed and do not require further specification.

<ESMA\_QUESTION\_ ESGR\_4>

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

<ESMA\_QUESTION\_ ESGR\_5>

We encourage ESMA to consider the proposed RTS under ESGRAR in conjunction with the proposed RTS for external reviews under the EU Green Bond Standard Regulation (EU) 2023/2631, in an effort to facilitate interoperability between the two sets of regulation. The underlying functions of Green Bond external reviewers and ESG rating providers require similar skills and expertise, and businesses may wish to efficiently utilise the same operational resources for both activities.

<ESMA\_QUESTION\_ ESGR\_5>