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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 | EcoVadis |
| Activity | Non-financial counterparty |
| 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>

EcoVadis welcomes the opportunity to respond to ESMA’s consultation paper on the draft technical standards under the Regulation on transparency and integrity of Environmental, Social and Governance (ESG) rating activities (thereafter ESGRAR).

**EcoVadis is a business sustainability ratings company**, founded in 2007 in France by Frederic Trinel and Pierre-François Thaler, co-CEOs. In Europe, we have offices in Paris, Berlin, Barcelona, Warsaw and London. EcoVadis has now 2,000 employees worldwide, of which ~530 (26%) are directly involved in ESG ratings activities.

Our sustainability ratings are used by companies to assess and monitor the sustainability risks of their suppliers as they implement **sustainable procurement** & **due diligenc**e programs. To date, EcoVadis has rated more than 165,000 companies globally. Every year, we conduct verification for more than 60,000 companies that are mostly non-listed (98%) and SMEs (90%). Overall, 97% of our revenues are derived from supply chain due diligence and risk management use cases. **Under ESMA’s supervision, EcoVadis will become a regulated entity for the first time.**

We would first like to highlight in **recital (7)**, the reference to “and any other activities it intends to carry out” is unclear. We propose deleting it to avoid confusion.

We have **a concern for Part G, paragraph 2, of Annex II**, requiring the following information to be provided for all staff that are “rating analysts, employees and other persons working for the applicant who are directly involved in ESG rating activities”:

a) Name;

b) role;

c) type of contract [temporary or permanent];

d) years in the role;

e) years in the industry.

Compiling this information would require significant resources, and it is not mandated by the Level 1 text of ESGRAR. Annex I of ESGRAR Level 1 only requests the number of "rating analysts, employees and other persons working for the applicant who are directly involved in ESG rating activities." Therefore, this requirement seems disproportionate compared to Level 1, and **we suggest removing paragraph (2) of Part G in Annex II.**

In addition, we suggest an alignment of Part I, paragraph (2) with the underlying regulation which requires, in Article 15.8, the regular review of methodologies but not of individual ratings as implied by “Procedures for the review of each ESG rating product.”. **We therefore suggest deletion of paragraph (2), Part I in Annex II.**

<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 do not agree with ESMA’s proposal in Article 1(b)** to mandate “physical separation measures that provide for segregated office space and secure access for employees and other persons directly involved in the assessment process of a rated item.” This proposal introduces a new requirement that goes beyond ESMA’s mandate for RTS and is not supported by current legislation.

ESGRAR already includes a range of provisions designed to ensure the independence and impartiality, as well as rigour and quality, of ESG ratings. As set out in Recital 38 of the Regulation, a range of provisions are already provided on conflict of interest management, detailed in Article 25, as well as legal separation. This is a comprehensive set of measures for the effective management of conflict of interests that should be implemented according to each organization’s specific circumstances.

It’s also worth noting that ESMA’s mandate to develop RTS in respect of the separation of business and activities, as set out in Article 16.5, does not extend to paragraph 1, only to derogations in paragraphs 2, 3 and 4. **We suggest the deletion of all of Article 1 of the draft RTS.**

<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>

EcoVadis disagrees with ESMA's proposed draft technical standard under Articles 23(4) and 24(3). We are concerned that the proposals introduce additional disclosures, rather than merely specifying content already outlined in the Level 1 text of the ESGRAR. This approach exceeds ESMA's mandate, particularly regarding disclosures to the public (Article 23(4)) and users (Article 24(3)), as the RTS "shall not include any additional disclosure requirements other than those listed in (...)".

More specifically, we are concerned about Article 3(1)(a) requiring to specify “the name of the rated item, and, where applicable, the name of its issuer” which is not applicable to EcoVadis. As a way of illustration for supply chain sustainability ratings, and if applied literally, this would require EcoVadis to publish the names of over 100,000 suppliers on our website, with daily updates required in line with the growth of our network. In addition to being highly burdensome, this is commercially sensitive information that would not enhance transparency for the end users.

Generally, we are concerned that the volume of disclosures required under RTS Article 3(1)(a) may lead to information overload, creating confusion rather than clarity. Given that the European Commission is pursuing a simplification agenda for other reporting obligations, an initiative ESMA itself supported in its 7 February 2025 press release, the extensive detail ESMA now demands is surprising. Instead of easing the reporting burden, the proposed RTS risks overwhelming both ESG rating providers and end users with its level of detail. **We therefore propose the deletion of Point (a) in Article 3(1).**

<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 do not believe ESMA should prescribe the sequence or structure for disclosures under Parts 1 and 2 of Annex III. Instead, we believe RTS should be principle-based and flexible to support pragmatic implementation.

<ESMA\_QUESTION\_ ESGR\_4>

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

<ESMA\_QUESTION\_ ESGR\_5>

In EcoVadis’ view, **the cost-benefit analysis does not adequately represent the costs** involved with additional disclosure requirements and separation measures included in the RTS. These measures go beyond the Level 1 text and therefore represent a significant material cost for the industry to implement.

In particular, **the physical and operational separation measures that are described in the RTS go beyond what is required at Level 1 and imply significant material costs to business**. It also appears to be excessive given the ESG ratings market's actual risks. Aligning this requirement with the credit ratings market's conflict-of-interest management framework overlooks key differences in the ESG market. Namely, it is: less established, more volatile, and operates with lower fees and profit margins, lacking monopolistic characteristics.

**We also expect the granularity required in the RTS specifications would lead to increased costs for managing disclosures.** This should be weighted against the decreasing marginal value of individual data points with the increase of total number of data points. The goal of greater transparency might inadvertently lead to an overwhelming amount of information for users, resulting in confusion rather than clarity, as well as burden for rated items.

<ESMA\_QUESTION\_ ESGR\_5>