

Reply form

for the Consultation Paper on Technical Standards under the Regulation on transparency and integrity of Environmental, Social and Governance (ESG) rating activities

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 _ESGRR_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_ESGRR_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 under the heading [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

Name of the company / organisation	MSCI
Activity	Other Financial service providers
Are you representing an association?	<input type="checkbox"/>
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_ESGRR_1>

Article 1 – Annex I

- Some of the information required in the application for authorisation under Article 1, as outlined in Annex I, appears to exceed the scope of the Regulation on transparency and integrity of Environmental, Social and Governance (ESG) rating activities (ESGRR). This includes, in particular, the requirement under Part D: *'A chart showing the ownership links between any parent undertaking, subsidiaries and any other associated entities. The undertakings shown in the chart shall be identified by their full name, and address of the registered office'*. We note that the ESGRR requires applicants to provide information only on their owners, not on the full group structure (point d) of Annex I refers to *"the ownership structure of the applicant"*). Considering this, we suggest revising Part D as follows:

"Part D) – Ownership structure

*1) Articles of association of the **applicant** ~~ESG rating provider~~.*

2) Ownership structure of the applicant, specifying the percentage of capital, nature of the holding (direct or indirect) and percentage of the voting rights of relevant owners.

*4) A chart showing the ownership links between any parent undertaking **and** subsidiaries ~~and any other associated entities~~. The undertakings shown in the chart shall be identified by their full name, and address of the registered office."*

- With respect to Part F – Senior management – we note that the draft RTS requires:

"f) a recent criminal-record file for each of the members of senior management from their countries of origin; or where a criminal record cannot be issued,

g) a self-declaration from each of the members of senior management of whether the member has been convicted of any criminal offence."

There may be jurisdictions where, although criminal record files are theoretically accessible, they are in practice difficult to obtain—due to burdensome administrative processes or prohibitive costs. We, therefore, recommend allowing the use of self-declarations in such cases. Accordingly, the wording should be amended as follows:

- “f) a recent criminal-record file for each of the members of senior management from their countries of origin, or where a criminal record cannot be ~~issued~~ **obtained within a reasonable timeframe or at reasonable cost**;*
- g) a self-declaration from each of the members of senior management of whether the member has been convicted of any criminal offence”*

With respect to Part G - Analytical Resources – we note that the ESGRR only requires applicants to provide “*information about the number of analysts, their experience and training*” (Annex I, point g)). Any obligation to also provide the analysts’ names, roles and types of contracts goes beyond those requirements. To remain proportionate and in line with the ESGRR, the requirement should be to provide the average number of years in a role and industry, per role category (e.g. associates, vice-presidents, directors). We, therefore, suggest amending the wording of Section G as follows:

“Part G) - Analytical resources

- 1) The number of rating analysts, ~~employees and other persons working for the applicant~~ who are directly involved in ESG rating activities.*
- 2) **Breakdown of personnel by role category, average industry experience, and average tenure with the company.**”*

Furthermore, we emphasise that MSCI operates through several legal entities across jurisdictions and analytical tasks may be provided by analysts employed by other group companies.

Article 3

As a global organization, MSCI operates through several legal entities across jurisdictions. In line with common industry practice, certain organisational functions (e.g., data processing, methodology development, technology infrastructure) may be provided at group level or from group affiliates. This organisation model may result in multiple entities contributing to assigning ESG ratings.

We do not support any interpretation that would require all EU entities within a group, even if contributing to assigning ESG ratings, to apply for authorisation. Such an approach would be against the EU Single Market principles and defeat the benefits of having one single supervisor in the European Union as well as be disproportionate, burdensome, and misaligned with the functional allocation of responsibilities within global firms.

Rather, ESG rating providers should be able to use a single authorised entity in the EU, with that entity receiving intra-group services from affiliates both in the EU and outside the EU. |

<ESMA_QUESTION_ESGRR_1>

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

<ESMA_QUESTION_ESGRR_2>

Article 1

MSCI does not support ESMA's proposal in draft RTS Article 1(b) that would require employees directly involved in rating assessments to work in segregated office space with secure access.

First, we do not consider that ESMA has a legal basis to impose such a requirement where there is legal separation between ESG rating provision and other services. ESGRR Art. 16(1) prevents ESG rating providers from providing certain other activities, thereby imposing a requirement of legal separation between entities providing such activities. Art. 16(3) provides an exception to that rule, by allowing ESG rating provision and benchmark administration to take place within the same legal entity, provided that certain requirements are met, to the extent that ESMA considers them appropriate. Under Article 16(5) ESGRR, *"ESMA shall develop draft regulatory technical standards to specify the details of the measures and safeguards to be implemented pursuant to paragraphs 2, 3 and 4."* These paragraphs 2, 3 and 4 only refer to instances where there is no legal separation between the provision of ESG rating provision and investment services, credit institution services, insurance and reinsurance, as well as benchmark provision.

Therefore, Article 1 of the draft RTS should only apply to circumstances where the ESG rating provider conducts the activities specified in Articles 16(1) of the ESGRR in the same legal entity. Where a legal separation exists between ESG ratings provision and benchmark administration within a group, the requirement for physical separation with secure access should not apply. Both activities are subject to comprehensive regulation, ensuring that entities performing these functions adhere to the highest standards of governance and compliance.

Furthermore, more effective and less burdensome measures, such as the segregation of functions and information barriers, govern information sharing and can sufficiently mitigate potential conflicts of interest. Additional requirements such as physical segregation of office space and secure access controls would be excessive. Physical separation would impose disproportionate costs without delivering commensurate supervisory benefits.

Accordingly, the proposed requirement is not necessary and should be deleted from the final RTS.

We propose the following changes to the wording of the draft RTS Article 1:

"1. ESG rating providers shall:

(a) put in place decision-making procedures and organisational structures which specify reporting lines and allocate functions and responsibilities in a manner that ensures that

employees directly involved in the assessment process of a rated item are not involved in the activities referred to in Article 16(1) of Regulation (EU) 2024/3005;

~~(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;~~

(c) ensure that employees and other persons directly involved in the assessment process of a rated item submit at regular intervals a self-declaration in that they do not provide any of the activities referred to in Article 16(1) of Regulation (EU) 2024/3005.”

<ESMA_QUESTION_ESGRR_2>

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

<ESMA_QUESTION_ESGRR_3>

Article 2 and the Annex

We consider that the information related to organisational disclosures should not be provided in the prescribed template (Annex, Table 1), but separately. Information to be provided according to Articles 3 to 5 are methodology-related items and should not be mixed with information related to mitigation of potential conflicts of interest, the group structure and fees.

We therefore propose the following changes to the Annex:

*“List of elements to be disclosed pursuant to Annex III, point 1, of Regulation (EU) 2024/3005
Table 1*

	Annex III.1	Draft RTS on Article 23
Rating Product Disclosures	Annex III.1.f	Article 3(1)
	Annex III.1.g	Article 3(2)
	Annex III.1.h	N/A
	Annex III.1.i	N/A
	Annex III.1.j	Article 3(4)
	Annex III.1.o	Article 3(3)
	Annex III.1.p	Article 3(3)
Basic Methodological Disclosures	Annex III.1.a	Article 4(1)
	Annex III.1.b	Article 4(2)
	Annex III.1.c	N/A
	Annex III.1.e	Article 4(3)
	Annex III.1.k	Article 4(4)

Limitations in data sources, methodologies and information	<i>Annex III.1.m</i>	<i>Article 5</i>
	<i>Annex III.1.q</i>	<i>Article 5</i>
Organisational Disclosures	<i>Annex III.1.d</i>	<i>Article 6(2)</i>
	<i>Annex III.1.l</i>	<i>Article 6(3)</i>
	<i>Annex III.1.n</i>	<i>Article 6(1)</i>

Table 2

<u>Organisational Disclosures</u>	<u>Annex III.1.d</u>	<u>Article 6(2)</u>
	<u>Annex III.1.l</u>	<u>Article 6(3)</u>
	<u>Annex III.1.n</u>	<u>Article 6(1)</u>

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Article 3 (1)

While the Level 1 text recognises the differences between the issuer-pays and subscriber-pays models, by clearly distinguishing between disclosures made to the public (point 1 of Annex III) and made to users and ‘rated items’ (section 2 of Annex III), the RTS does not sufficiently recognise that these models are not the same.

Despite Recital (1) providing that “Recognising that ESG rating providers may offer a number of different ESG rating products, it is important that they provide **a sufficient level of information** (...)”, the draft RTS Article 3 would effectively compel ESG rating providers to publish, for every rated item, its name, legal status and entity-specific methodology. While this requirement may be appropriate for ESG ratings issued under the issuer-pays model, it is not pertinent for ESG ratings under the subscriber-pays model. The requirement, as it currently stands, is not grounded in ESGRR.

ESGRR Article 23(1) requires ESG rating providers to disclose, in a separate section of their website, their methodologies, models, and key rating assumptions. However, ESGRR does not require ESG rating providers to disclose publicly the names of rated items or the related information for each individual rated item. ESGRR Art. 23(4) provides that “ESMA shall develop draft regulatory technical standards to specify further the elements that are to be disclosed in accordance with paragraph 1. **These elements shall not include any additional disclosure requirements than those listed in point 1 of Annex III.**” Therefore, ESMA is legally restricted to only require information envisaged by ESGRR Annex III point 1, which does not foresee disclosure of information per each individual ESG rating.

Under ESGRR, which distinguishes between disclosures made to the public (point 1 of Annex III) and made to users and ‘rated items’ (section 2 of Annex III), only disclosures under point

2 of Annex III are required at an ESG rating level: “Where applicable, the information referred to in point 2 of this Annex shall be specific to each ESG rating distributed.”

In a subscriber-pays model, ESG rating providers do not publish ESG ratings or names of the rated items or any specific underlying information to explain a specific rating. Thus, public disclosures as envisaged by ESMA in the prescribed sequence and structure should be made at the methodology level, and not per rated item, to enable users to better compare the elements of methodologies listed in ESGRR. In order to make it clear that disclosures are meant to be provided at a methodology level for each kind of ESG rating and not per ESG rating, we suggest systematically using the term ‘rating product’ instead of a ‘rating’ as per the title of Article 3.

We, therefore, propose amending Article 3, so that ESG rating providers can disclose related information at a methodology level.

We propose the following amendments to the draft RTS Article 3:

“Article 3

Rating-product disclosures

1. As part of the information disclosed in accordance with Annex III, point 1, letter (f), of Regulation (EU) 2024/3005, ESG rating providers shall specify:

~~(a) the name of the rated item, and, where applicable, the name of its issuer with a specification of whether it is:~~

~~(i) a financial undertaking;~~

~~(ii) a non-financial undertaking;~~

~~(iii) a sovereign;~~

~~(iv) a public authority or body governed by public law;~~

~~(v) another legal person with reference to the category of that legal person.~~

(b) the specific risks covered, where the ESG rating **product** is assessing risks;

(c) the specific impacts covered, where the ESG rating **product** is assessing impacts;

(d) how the proportion of the risk and impact materiality is determined in the case of the double materiality principle;

(e) where the ESG rating product is based on other materiality dimensions, a description of those dimensions.

2. As part of the information disclosed in accordance with Annex III, point 1, letter (g), of Regulation (EU) 2024/3005, ESG rating providers shall specify:

(a) a description of what is covered under the E, S or G factors and which factors are aggregated, where applicable;

(b) a description of the specific issues that the ESG rating **product** covers.

3. As part of the information disclosed in accordance with Annex III, point 1, letters (o) and (p), of Regulation (EU) 2024/3005, ESG rating providers shall, where applicable:

(a) include an indication of whether the rating **product** takes into account the targets and objectives of the Paris Agreement and which other international agreements are taken into account, with reference to basic identifying information on these agreements together with an explanation of their relevance to the rating **product**;

(b) specify whether the rating **product** benchmarks commitments against the objectives of those agreements.

4. As part of the information disclosed in accordance with Annex III, point 1, letter (j), of Regulation (EU) 2024/3005, ESG rating providers shall describe the absolute or relative values referred to within the ranking system used.”

Article 4

Providing an ‘illustrative example’ on how the ESG rating system should be understood, under Art. 4(1)(h)(i), could be potentially misleading and overly simplistic. Such an example could introduce confusion, because it would only be specific to a rated item and would not explain the system. MSCI has published a “Symbols and Definitions” document which is a comprehensive explanation of our ranking system per ESG rating product, which should be sufficient.

Point (h) (iii) of the same Article refers to the “available related links”. However, it is not clear what these links pertain to, and it is not clear how providing these links would be beneficial to the overall transparency.

The requirement under Article 4(1)(d) to provide “the time-horizon of the backward-looking data and forward-looking data taken into consideration” goes beyond and is not the same as the ESGRR obligation to disclose “an overview of the rating methodologies used and changes thereto, **including whether analysis is backward-looking or forward-looking and the time horizon covered**”. While we can provide the information about the time-horizon of the analysis under our respective methodologies, we should not have to provide that information for every data point. This would be burdensome, disproportionate and going beyond the Level 1.

A requirement under Article 4(3) to include ‘the title, author and publication dates of the studies, models or frameworks’ has no legal basis. Including that information is not relevant or necessary. Our methodologies are informed by a range of inputs, which may include selected studies or specific elements thereof, but are ultimately developed through the application of in-house expertise and judgment by our model and methodology teams. In addition, our methodologies are based on markets standards (e.g. GFANZ, PCAF or SBTi) which themselves may be based on scientific evidence and underlying articles. This would become an endless exercise to list all articles. Further, requiring further information would be

contrary to ESGRR's Art. 23(4) which provides that *"ESMA shall develop draft regulatory technical standards to specify further the elements that are to be disclosed in accordance with paragraph 1. These elements shall not include any additional disclosure requirements than those listed in point 1 of Annex III."*

We therefore propose the following amendments to Article 4:

"Article 4
General methodological disclosures

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;

(h) a description of the ranking system used with reference to:

- i. how the ranking system should be understood, ~~with an illustrative example where relevant;~~*
- ii. the meaning of each rating category for absolute and relative values; in case of relative values, an explanation as to whether they are relative to a specific industry, geographical area, peer groups or other comparison values ~~and a description of their relevance and available related links.~~*

2. As part of the information disclosed in accordance with Annex III, point 1, letter (b), of Regulation (EU) 2024/3005, ESG rating providers shall specify:

a) the name of the issuing body;

b) the name and version of the industry classification;

c) the link to the official documentation of the industry classification system, if available;
(...)"

3. As part of the information disclosed in accordance with Annex III, point 1, letter (e), of Regulation (EU) 2024/3005, ESG rating providers shall provide, where applicable, an explanation of the relevance of scientific evidence to the rating methodology, ~~including the title, author and publication dates of the studies, models or frameworks taken into account.~~

Article 5

From a methodological perspective, it is unclear what ‘*other restrictions*’ mean. We understand that all limitations should be addressed through Article 5 points a) to c) and point e) is therefore not needed.

We therefore propose the following amendments to Article 5:

“Article 5

Limitations in data sources, methodologies and information

As part of the information disclosed in accordance with Annex III, point 1, letters (m) and (q), of Regulation (EU) 2024/3005, ESG rating providers shall explain any limitations in respect of the following:

- a) the availability or consistency of data used in the rating process;*
- b) the engagement with rated items and issuers of rated items;*
- c) the lack of completeness, timeliness and accuracy of information;*
- d) the use of assumptions, proxy reference points and data estimation;*
- e) ~~other restrictions related to the data and methodologies used.~~*

We also note that the proposed wording of Article 6(2)(a) would require ESG rating providers that are part of a group to provide “*information on each member of the group’s legal status and registered office*”. This goes beyond what is required by ESGRR Annex III 1(d), which requires that ESG rating providers disclose information about “***the ownership structure of the ESG rating provider***” without further granularity and breadth extending to the entire group.

We therefore propose the following changes to the wording of the draft Article 6(2):

“(…)

2. As part of the information disclosed in accordance with Annex III, point 1, letter (d), of Regulation (EU) 2024/3005, ESG rating providers shall include the following:

(a) where the ESG rating provider is part of a group, ~~information on each member of the group's legal status and registered office~~ information about the ownership structure of the ESG rating provider;

(b) a chart showing the ownership links with any parent undertaking, subsidiaries ~~and any other associated entities~~, indicating the performance of any activities or services listed in Article 16 of Regulation (EU) 2024/3005 by any of those entities, where relevant. |

<ESMA_QUESTION_ESGRR_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_ESGRR_4>

| No. MSCI is of the view that ESG rating providers are best placed to decide on the way in which the disclosures are provided, corresponding with the structure of their other publications of regulatory and non-regulatory nature. |

<ESMA_QUESTION_ESGRR_4>

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

<ESMA_QUESTION_ESGRR_5>

We note that the Cost-Benefit Analysis (CBA) anticipates certain incremental costs for ESG rating providers as a result of the draft RTS requirements. While we recognise that enhanced compliance will naturally entail some additional costs, we are concerned that, in areas where the draft RTS exceed the mandates of the Level 1 Regulation, these costs would be both disproportionate and insufficiently justified. The CBA does not adequately consider the incremental costs that would be imposed on ESG rating providers.

We strongly urge ESMA to avoid introducing requirements that go beyond those explicitly set out in the ESGRR.

<ESMA_QUESTION_ESGRR_5>