

To

**European Securities and Markets Authority**

Submitted via website

Date: June 20<sup>th</sup>, 2025

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

Dear Sirs,

With reference to the above consultation paper<sup>1</sup> dated 2 May 2025, we are pleased to contribute the views of our association representing ESMA registered Credit Rating Agencies. We proceed from the assumption that several EACRA Members will seek recognition as ESG Rating providers.

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

In accordance with the ESG Rating providers Regulation ("ESGRPR"), ESMA is hereby proposing a draft RTS specifying the information required in order get authorised or recognized as ESG Rating provider.

But, we note that the ESGRPR provides in its Article 5 a temporary regime for small ESG rating providers to operate in the Union for up to 3 years without requesting authorisation or recognition. Such providers are expected to notify ESMA of the use of that temporary provision. We would appreciate if ESMA could provide guidance regarding the expected format and content of that notification.

With respect to the draft RTS and more precisely the proposed Annex II, kindly find herewith our comments following the structure there.

On Part F point 2) f): this item refers to a "recent criminal-record file". We would kindly request clarification how the term "recent" should be interpreted and propose herewith a period of up to 12 months.

On Part G) Analytical resources: we note that point 1) uses the notion of "ESG rating activities". This term is not defined in the ESGRPR and could therefore have a wider scope than the title "analytical resources". We therefore propose to modify the last part of point 1) "directly involved in ESG rating

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<sup>1</sup> Available at: [https://www.esma.europa.eu/sites/default/files/2025-05/ESMA84-2037069784-2276\\_Consultation\\_Paper\\_on\\_Technical\\_Standards\\_under\\_ESG\\_Rating\\_Regulation.pdf](https://www.esma.europa.eu/sites/default/files/2025-05/ESMA84-2037069784-2276_Consultation_Paper_on_Technical_Standards_under_ESG_Rating_Regulation.pdf)

activities” into “directly involved in the provision of ESG ratings” since the term “ESG Ratings” is clearly defined in Article 3 (1) of ESGRPR.

On Part H) Expected market coverage: kindly provide guidance to which period the information regarding expected products and expected number of rated items should cover. Should we assume a period of up to 3 years? With reference to point 2) d) the proposed text states “whether the product is offered on an issuer paid/investor paid or unsolicited basis.” We note that the terms used here are not defined in the ESGRPR but understand that an “investor paid ESG Rating” would not be considered as unsolicited by ESMA (an important difference to ESMA’s interpretation of the CRA Regulation).

On Part J) c) regarding the “onboarding of new clients”, we understand that this should not apply to already existing clients.

On Part M) point 1) we believe that this item is linked to Annex I point m) of the ESGRPR which directly refers to Article 16 (2) and (3) of ESGRPR. The wording used in Part M) point 1) is wider in the scope since it covers more activities listed in Article 16 (1).

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

In view of the scope of our association on credit rating and credit rating agencies, we are exclusively commenting on § 21 of the consultation paper and the connected text in Article 1 of the draft RTS in section 7.2.2 of the consultation paper.

Before doing so, we would like to recall that the ESGRPR provides in Article 5 for a temporary regime for small ESG Rating providers. That article clearly identifies those Articles of the ESGRPR to which such temporarily registered ESG rating providers would be subject to – that article does not mention Article 16 of ESGRPR relating to the separation of business activities. We therefore proceed from the assumption that the provisions of this draft RTS would not apply to temporarily registered small ESG rating providers.

While we agree with ESMA that the Level 1 text already requires separate legal entities to carry out ESG ratings and Credit Ratings, we still regret that co-legislators opted for such an approach as it creates additional organisational and procedural requirements while the ESGRPR is clearly inspired by the regulation applicable to Credit Rating Agencies but with less stringent requirements. This decision by co-legislators should be reconsidered in the wake of the Commission’s new objective of reducing the administrative burden on companies and increase the competitiveness of the EU economy.

With respect to the requirements in Article 1 of this draft RTS, we note ESMA’s focus on “employees directly involved in the assessment process of a rated item”. We would like to recall here that both, the ESGRPR in its Article 21 and the Credit Rating Agencies Regulation in its Article 9, allow the outsourcing of important operational functions. An ESG Rating provider may therefore outsource some functions to an already ESMA registered Credit Rating Agency or to any other entity.

Reference Article 1 (2) of this draft RTS, ESMA proposes that ESG rating providers implement physical separation measures that provide for a segregated office space and secure access for ESG rating analysts. This ESMA expectation goes well beyond the text of the Legal 1 regulation and is associated with additional costs to ESG rating providers. In view of the principle of proportionality, we recommend that such a requirement should only be implemented where the ESG rating provider has more than [10] full-time rating analysts at its disposal.

With regard to the self-declaration expected by ESG rating analysts in Article 1 (3) of this draft RTS, we are of the opinion that an ESG rating provider needs to obey to and implement a high number of operational and organisational requirements in order to identify, address and manage potential conflicts of interests. We therefore believe that this requirement creates only an additional obligation to ESG rating providers without delivering additional benefits. Additionally, the proposed text uses the term “regular interval” without specifying this any further.

We thank you for the opportunity to comment and stand ready to provide any additional information you may require.