

Consultation Paper

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

Responding to this paper

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

- Follow the predefined format and structure;
- 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.

All contributions should be submitted online at www.esma.europa.eu under the heading 'Your input - Consultations'.

Respondents are expected to use the response forms made available on the ESMA website.

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 publicly 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 '[Data protection](#)'.

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 ESG Rating Providers, as well as financial market participants, users of ESG ratings or rated entities, to participate.

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1 Executive Summary

Reasons for publication

The Regulation on the transparency and integrity of Environmental, Social and Governance (ESG) rating activities ('the Regulation') was published in the Official Journal of the European Union on 27 November 2024¹. This regulation introduces a common regulatory approach to enhance the integrity, transparency, comparability where possible, responsibility, reliability, good governance and independence of ESG rating activities. In so doing it aims to contribute to the transparency and quality of ESG ratings and to the sustainable finance agenda of the European Union.

In order to facilitate the smooth implementation of the Regulation there are a number of empowerments for ESMA to deliver draft regulatory technical standards in the areas of authorisation, recognition, separation of activities and disclosures. The deadline for providing these draft regulatory technical standards to the European Commission is 2 October 2025. These draft technical standards establish key elements of the regulatory framework in a number of areas.

First, they set out the information that should be provided in the applications for authorisation and recognition of an ESG rating provider. These requirements are dealt with in a single technical standard and provide clarity as to what information should be common to the applications of EU and Non-EU entities, and what additional information should be provided by non-EU entities in the case of an application for recognition.

Second, they set out the measures and safeguards that should be put in place to mitigate risks of conflicts of interest within ESG rating providers who carry out activities other than the provision of ESG ratings. These are divided into organisational requirements that are applicable to all ESG rating providers, and more specific technical and control measures that apply in the case of certain specified activities.

Third, they specify in greater detail the information that is to be disclosed by ESG rating providers to the public, rated items, issuers and the users of ESG ratings. This will ensure that to the extent possible, ESG rating providers will disclose the required information in as comparable and consistent a manner as possible.

In drafting these technical standards ESMA has had due regard to the need for proportionality for smaller providers and the objective of simplification and burden reduction, this is evidenced through the merging of certain legal empowerments where feasible and appropriate.

Contents

The body of this Consultation Paper contains 5 sections (chapters 3-5) explaining the background and summarising ESMA's proposals relating to the draft technical standards on authorisation, recognition, separation of activities and disclosures.

¹ [REGULATION \(EU\) 2024/3005 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2024 on the transparency and integrity of Environmental, Social and Governance \(ESG\) rating activities, and amending Regulations \(EU\) 2019/2088 and \(EU\) 2023/2859](#)

- Annex I sets out the preliminary cost-benefit analysis.
- Annex II contains the full text of the proposed draft technical standards.
- Annex III sets out the list of questions contained in this paper.

Next Steps

ESMA will consider the feedback received to this consultation and expects to publish a Final Report in Q4 2025 and submit the draft technical standards to the European Commission by end October 2025 at the latest.

2 Introduction

Background

1. The publication of the proposal for a Regulation on the transparency and integrity of Environmental, Social and Governance (ESG) rating activities in July 2023² was an important milestone towards the objective of delivering increased transparency, comparability and reliability for the public, users, issuers and rated items with an interest in ESG ratings.
2. This regulation is the culmination of a number of actions taken by the European Commission, including the Action Plan on Financing Sustainable Growth published on 8 March 2018³, the Strategy for Financing the Transition to a Sustainable Economy published on 6 July 2021⁴ and a public consultation on ESG ratings that took place in 2022⁵. At an international level, the relevance of the International Organization of Securities Commissions (IOSCO) report on recommendations for ESG ratings and data providers⁶ should also be noted as a key contribution to the content of this regulation.
3. From an ESMA perspective, the need to deliver regulatory safeguards for ESG ratings was argued for in a communication to the European Commission in January 2021⁷.
4. With the adoption of the regulation in December 2024 by the co-legislators ESMA has been mandated to deliver a number of draft technical standards to the European Commission. These draft technical standards are necessary to ensure the smooth

² [COM/2023/14, Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the transparency and integrity of Environmental, Social and Governance \(ESG\) rating activities](#)

³ [COM/2018/097 final, COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN CENTRAL BANK, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS Action Plan: Financing Sustainable Growth](#)

⁴ [COM\(2021\) 390 final, COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS, Strategy for Financing the Transition to a Sustainable Economy](#)

⁵ [European Commission, Consultation Document, Targeted Consultation on the Functioning of the ESG Ratings Market in the European Union and on the Consideration of ESG Factors in Credit Ratings](#)

⁶ [FR09/21, November 2021, Environmental, Social and Governance \(ESG\) Ratings and Data Product Providers, Final Report, the Board of the International Organization of Securities Commissions](#)

⁷ [ESMA30-379-423, 28 January 2021.](#)

implementation of a number of key provisions of the regulation and the initial registration of ESG rating providers who are offering their services in the EU.

5. In this regard, there are five specific legal empowerments for which ESMA must deliver draft technical standards⁸. The deadline for ESMA to provide these draft technical standards to the European Commission is 2 October 2025. ESMA has addressed these five legal empowerments through the delivery of three draft technical standards, merging certain empowerments where this was appropriate to the subject matter and objective of the empowerment itself.

Implementation of the Regulation

6. In order to receive input on the draft technical standards ESMA has provided questions at the end of each section of this Consultation Paper. In addition, ESMA has provided a draft cost benefit analysis in Annex I on which input is also requested. Following the conclusion of the consultation ESMA will finalise the draft technical standards and provide these to the European Commission before the deadline of 2 October 2025.
7. Independent of the delivery of these technical standards to the European Commission, the Regulation specifies the following milestones for the implementation of the regulatory framework in the EU:
 - By 2 August 2026 ESG rating providers which operated in the Union at the date of entry into force of the Regulation shall notify ESMA if they wish to continue operating in the Union and apply for authorisation or recognition
 - In that case, they shall apply for authorisation or recognition within four months of 2 July 2026.
 - After notifying ESMA, the ESG rating provider shall be temporarily listed in the register referred to in Article 14 and be permitted, until its application has been approved or denied, to continue operating in the Union, and may endorse an ESG rating provided by an ESG rating provider established outside the Union and belonging to the same group under Article 11.
 - ESG rating providers categorised as small ESG rating providers, within the meaning of Article 5(1), which operated in the Union at the date of entry into force of this Regulation shall notify ESMA in accordance with Article 5 no later than 2 November 2026 if they wish to continue operating in the Union.

⁸ [See Articles 6\(3\), 12\(9\), 16\(5\), 23\(4\) and 24\(3\) of Regulation \(EU\) 2024/3005](#)

3 Applications for Authorisation and Recognition

Article 6

1. *Legal persons established in the Union that wish to operate in the Union pursuant to Article 2(1), point (a), shall apply to ESMA for authorisation.*
2. *An application for authorisation as referred to in paragraph 1 shall contain all of the information listed in Annex I to this Regulation and shall be submitted in any of the official languages of the Union. Council Regulation No 1 (37) shall apply mutatis mutandis to any other communication between ESMA and ESG rating providers and their staff.*
3. *ESMA shall develop draft regulatory technical standards to specify further the information listed in Annex I.*

Article 12

1. *Until such time as the Commission has adopted an equivalence decision as referred to in Article 10 or, where adopted, in the event that the equivalence decision is repealed, an ESG rating provider established outside the Union with an annual net turnover of all of its activities that is below the maximum amount set in Article 3(2), second subparagraph, of Directive 2013/34/EU, for each of the last three consecutive years may operate in the Union provided that ESMA has recognised that ESG rating provider in accordance with this Article. An ESG rating provider established outside the Union that belongs to a group as defined in Article 2, point (11), of Directive 2013/34/EU whose consolidated annual net turnover of all of the group's activities is below the maximum amount set in Article 3(5), second subparagraph, of Directive 2013/34/EU, for each of the last three consecutive years may operate in the Union provided that ESMA has recognised that ESG rating provider in accordance with this Article. To that end, ESMA may take into account either an assessment by an independent external auditor or a certification of the competent authority of the third country where the ESG rating provider is established.*
2. *ESG rating providers established outside the Union that wish to be recognised as referred to in paragraph 1 shall comply with the requirements laid down in this Regulation and submit an application for recognition to ESMA.*
4. *An ESG rating provider established outside the Union shall, when submitting an application for recognition as referred to in paragraph 2, provide ESMA with the following:*
 - (a) *all information listed in Annex I;*
 - (b) *all information necessary to demonstrate that the conditions laid down in paragraph 1 of this Article are met;*
 - (c) *all information necessary to satisfy ESMA that the ESG rating provider established outside the Union has established the necessary arrangements to meet the requirements referred to in paragraphs 2 and 3 of this Article;*
 - (d) *the list of its actual or prospective ESG ratings which are intended for distribution in the Union;*

(e) where applicable, the name and contact details of the third-country competent authority responsible for its supervision.

9. ESMA shall develop draft regulatory technical standards to determine the form and content of the application for recognition referred to in paragraph 2 and, in particular, the presentation of the information required in paragraph 4.

ESMA shall submit the draft regulatory technical standards referred to in the first subparagraph to the Commission by 2 October 2025.

3.1 Background

8. Before supervision of ESG rating providers can take place it is first necessary for ESMA to authorise an applicant in accordance with the processes set out in Articles 6-8 of the Regulation, or, recognise an applicant in accordance with Article 12 of this Regulation⁹.
9. Both these processes require an applicant to submit certain information to ESMA in order for a decision to be taken that they meet the respective requirements of the Regulation for authorisation or recognition as an ESG rating provider.
10. For these assessments to be carried out in an efficient and effective manner the authorisation or recognition processes set out in Articles 6-8 and Article 12 of the Regulation are supported by empowerments for regulatory technical standards under Article 6(3) and 12(9).
11. On the basis that there is significant overlap between the information to be provided in an application for authorisation and recognition ESMA has decided that the two empowerments should be merged into a single regulatory technical standard that sets out the information for both.

3.2 Summary

12. The approach of the draft RTS is to first specify which elements are relevant for an application for authorisation and then what elements are relevant for an application for recognition, this is covered in Articles 1 and 2 of the draft RTS.
13. Next, under Article 3, it is necessary to ensure that any documentation is provided with a unique reference number that clearly identifies which specific requirement of the draft RTS to which it is referring. This will ensure that ESMA can clearly identify which documents are being provided for each area to be assessed. Where a group of ESG rating providers is applying for authorisation or recognition, Article 3 also requires that the application identify each ESG rating provider to which the information submitted applies. Finally, Article 3 requires that an applicant provide a signed letter by a member

⁹ Whereas Article 6 sets out the information that should be included in an application for authorisation, the process of examining an application and then granting or refusing a decision to authorise are set out in Articles 7 and 8 of the regulation respectively. For applications for recognition Article 12 sets out both the information and the process by which a decision to recognise is granted.

of its senior management attesting that the submitted information is accurate and complete to the best of the member's knowledge. This will provide ESMA with a sufficient degree of assurance around the accuracy and reliability of the information being assessed.

14. Under Article 4 of the draft RTS, ESMA specifies that any information provided regarding number of employees shall be provided on a full-time-equivalent basis calculated as the total hours worked divided by the maximum number of hours subject to compensation within a working year, as defined by relevant national law. The purpose of this is to ensure that ESMA receives comparable information from different applicants on the number of employees referred to in their applications. In addition, Article 5 of the draft RTS clarifies that an applicant may fulfil the obligation to provide information regarding policies and procedure by submitting a copy of the relevant policies and procedures.
15. Concretely, the information set out in Annex II of the draft RTS should be provided in the case of both an application for authorisation or recognition. Then, should an applicant for authorisation wish to endorse credit ratings, or provide benchmarks, the information in Annexes IV and V should be provided on top of Annex II. For a recognition application, the information in Annex II should be provided in addition to the recognition specific information under Annex III.
16. Finally, the information set out under Annex IV and V should be provided in cases where an ESG rating provider having already gained authorisation wishes to either endorse ESG ratings under 11(1)(a) or lodge a request to provide benchmarks in accordance with 16(3).

3.3 Proposal

17. On the basis that both the technical standard under Article 6(3) and 12(9) require that ESMA specify further the information to be provided in accordance with Annex I of the Regulation, ESMA has decided that a single technical standard addressing both empowerments is more appropriate than two separate empowerments. The additional information that must be provided in an application for recognition that are not covered by Annex I of the Regulation and which are specified in Article 12(4)(b)-(e), are addressed in a specific Annex of the draft technical standard.
18. The proposed draft RTS under Article 6(3) and 12(9) is set out under Annex II Section 7.2.1 of this Consultation Paper.

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

4 Separation of Activities

Article 16

1. *ESG rating providers shall not provide any of the following activities:*

(a) consulting activities to investors or undertakings;

(b) the issuance and distribution of credit ratings as defined in Article 3(1), point (a), of Regulation (EC) No 1060/2009;

(c) the provision of benchmarks as defined in Article 3(1), point (5), of Regulation (EU) 2016/1011;

(d) investment services and activities as defined in Article 4(1), point (2), of Directive 2014/65/EU;

(e) statutory auditing on financial statements and assurance engagements on sustainability reporting within the meaning of Directive 2013/34/EU;

(f) activities of credit institutions within the meaning of the Regulation (EU) No 575/2013, and insurance or reinsurance activities within the meaning of Directive 2009/138/EC.

2. *By way of derogation from paragraph 1, an ESG rating provider may provide the activities referred to in paragraph 1, point (d) or (f), provided that it puts in place, in addition to the measures referred to in Articles 25 and 26, specific measures:*

(a) to ensure that each activity is exercised autonomously;

(b) to avoid the creation of potential risks of conflicts of interest in decision-making within its ESG rating activities;

(c) to ensure that its employees who are directly involved in the assessment process of a rated item do not provide any of the activities referred to in paragraph 1, point (d) or (f).

In implementing such measures, the ESG rating provider shall also take into account the activities of the group to which it belongs, if applicable.

3. *By way of derogation from paragraph 1, point (c), an ESG rating provider may lodge a request with ESMA to be authorised to provide benchmarks provided that it puts in place specific measures, including those referred to in paragraph 2. ESMA shall decide whether the measures proposed by the ESG rating provider are appropriate and sufficient regarding the potential risks of conflicts of interest. If ESMA considers that the measures are not appropriate or sufficient regarding the potential risks of conflicts of interest, paragraph 1, point (c), shall apply.*

Any substantial change in the measures taken by the ESG rating provider or in their implementation shall be notified to ESMA by the ESG rating provider before such change is implemented. ESMA shall decide whether the measures remain appropriate and sufficient

regarding the potential risks of conflicts of interest. If ESMA considers that the measures are no longer appropriate or sufficient regarding the potential risks of conflicts of interest, paragraph 1, point (c), shall apply.

ESMA shall take a decision as referred to in the first and second subparagraphs of this paragraph within 30 working days of receipt of complete information about the measures proposed by the ESG rating provider or any substantial changes thereto, or within the deadlines laid down in Article 7 where ESMA's assessment forms part of its evaluation of the ESG rating provider's application for authorisation.

4. An ESG rating provider shall ensure that its employees who are directly involved in the assessment process of a rated item do not provide any of the activities referred to in paragraph 1, points (a), (b) and (e).

5. 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.

ESMA shall submit the draft regulatory technical standards referred to in the first subparagraph to the Commission by 2 October 2025.

4.1 Background

19. Article 16(1) of the ESGR Regulation lays down the overarching principle that ESG rating providers shall not provide, in the same legal entity, consulting, credit rating, audit or assurance, investment, credit, insurance and benchmark services, to which paragraphs 2, 3 and 4 set out partial derogations. Article 16(5), in turn, stipulates that ESMA will develop draft RTS to specify the details of the measures and safeguards to be implemented pursuant to such derogations.

4.2 Summary

20. ESMA recognises the importance of putting in place controls of diverse nature in order to safeguard the independence of the assessment process of a rated item. In the proposed draft RTS, ESMA has specified the criteria an ESG rating provider offering investment, credit, insurance or benchmark services under the legal derogation (or otherwise providing consulting, credit rating or audit or assurance services through a distinct corporate entity), must put in place in order to appropriately manage conflicts of interest.
21. ESMA sees the establishment of Chinese Walls through organisational and physical measures as key to enable the segregation of functions and information barriers. As such, Article 1 of the proposed draft RTS sets out that all ESG rating providers should put in place separate organisational structures and working environments for employees and other persons involved in the rating process from any of the activities listed in Article 16(1) of the ESGR Regulation, and subject them to regular self-declarations attesting employees' non-involvement in such activities. While entities are already required by Level 1 to establish a separate legal person to offer consulting,

credit ratings or audit and assurance services, a superficial separation may occur, wherein analysts from affiliated companies continue to share office space, maintain common reporting lines or engage in intra-group outsourcing arrangements that undermine true independence. Therefore, ESMA believes it is important that the RTS contains safeguards extending beyond mere legal formalities for these entities, in order to foster genuine operational separation and mitigate potential conflicts of interest.

22. Article 2 of the draft RTS, in turn, proposes that ESG rating providers intending to provide investment services and/or insurance and reinsurance activities implement additional technical and internal control measures. Additionally, an annual assessment of the appropriateness and sufficiency of such measures is proposed, to ensure entities adequately manage the inherent conflicts of interest derived from these activities. These measures include implementing digital access restrictions, information controls for internal documentation, policies and procedures, contractual provisions and training on the management of confidential information and compliance monitoring reviews centred on the identification of conflicts of interest.

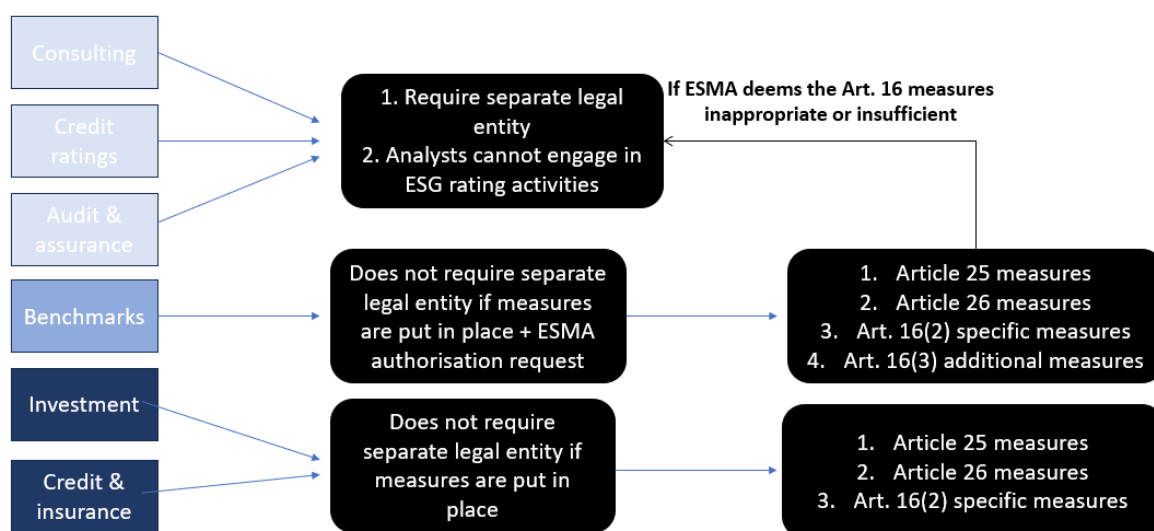


FIGURE 1 – OVERVIEW OF REQUIREMENTS TO PROVIDE EACH ACTIVITY UNDER ARTICLE 16

23. Finally, under Article 3, ESG rating providers intending to provide benchmarks¹⁰ should adopt further specific safeguards ensuring that employee compensation remains

¹⁰ As demonstrated in Figure 1, the legislator has crafted a particularly complex regime for ESG rating providers intending to provide benchmarks. These entities should submit an application to ESMA outlining the measures put in place to mitigate potential risks of conflicts of interest – in addition to complying with the general requirements on independence and management of conflicts of interest contained in Articles 25 and 26 of the ESGR Regulation –, including those ensuring that each activity is exercised autonomously, that the creation of potential risks of conflicts of interest in decision-making within its ESG rating activities is avoided and that its employees who are directly involved in the assessment process of a rated item do not provide benchmarks-related activities. ESMA has specified the details of such types of measures in the proposed draft RTS. Upon receiving the request for authorisation, ESMA will evaluate the appropriateness and sufficiency of the measures and safeguards

unaffected by conflicts of interest related to benchmark activities, that ESG ratings are produced and offered independently of the provision of benchmarks and that any actual or potential conflicts of interest are assessed and documented before entering into a contract for the provision of ESG rating activities.

4.3 Proposal

24. In specifying the above measures and safeguards to be implemented by ESG rating providers, ESMA has chosen to structure the draft RTS according to the pyramid approach envisaged by the legislator in Level 1. As such, while Article 1 deals with organisational and physical measures for all services listed in Article 16(1) of the ESGR Regulation, Article 2 applies only to the cumulative measures to be put in place by ESG rating providers engaging in investment, credit, insurance and benchmark services and Article 3 relates to the specific additional measures to be implemented exclusively by ESG rating providers intending to engage in the provision of benchmarks.
25. ESMA's proposals for the draft RTS specifying the details of the measures and safeguards to be implemented by ESG rating providers providing the activities referred to in paragraph 1 of Article 16 of the ESGR Regulation are set out in section 7.2.2 of Annex I.

Q2 Do you agree with ESMA's proposals for the draft technical standard under Article 16(5)?
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applied to decide whether the provider will be permitted to offer benchmarks within the same corporate entity as its ESG ratings activities.

5 Disclosure to the public, users of ESG ratings, rated items and issuers of rated items

Article 23

1. ESG rating providers shall disclose on their website, as a minimum, the methodologies, models and key rating assumptions that they use in their ESG rating activities, including the information referred to in point (d) of Annex I and point 1 of Annex III. Such disclosure shall be made in a clear and transparent manner and identified in a separate section of the ESG rating provider's website.

2. The ESG rating provider shall disclose the information referred to in point 1 of Annex III at the latest when it starts issuing ESG ratings.

4. ESMA shall develop draft regulatory technical standards to specify further the elements to be disclosed in accordance with paragraph 1, first subparagraph. Those elements shall not include any additional disclosure requirements other than those listed in point 1 of Annex III.

Article 24

1. ESG rating providers shall disclose, as a minimum, the information referred to in point 2 of Annex III to users of ESG ratings, rated items and issuers of rated items on an ongoing basis.

2. An ESG rating provider shall ensure that when it authorises a user of ESG ratings to disclose an ESG rating, a link to the information referred to in point 1 of Annex III is attached to the ESG rating.

3. ESMA shall develop draft regulatory technical standards to specify further the elements that are to be disclosed in accordance with paragraph 1. Those elements shall not include any additional disclosure requirements other than those listed in point 2 of Annex III.

5.1 Background

26. One of the core objectives of the Regulation is to improve the transparency and comparability of ESG ratings. To deliver on this objective the Regulation includes a number of disclosure requirements for ESG rating providers. These are primarily, although not exclusively, set out in Articles 23 and 24 of the Regulation. In this regard Article 23 addresses 'Disclosure to the public of the methodologies, models and key rating assumptions used in ESG rating activities' while Article 24 'Disclosures to users of ESG ratings, rated items and issuers of rated items'. Both of these Articles contain cross references to the more specific disclosures that are set out in Annex III of the regulation. It is the disclosures listed in Annex III that ESMA is specifying further with this RTS in accordance with the empowerments under Articles 23(4) and 24(3).

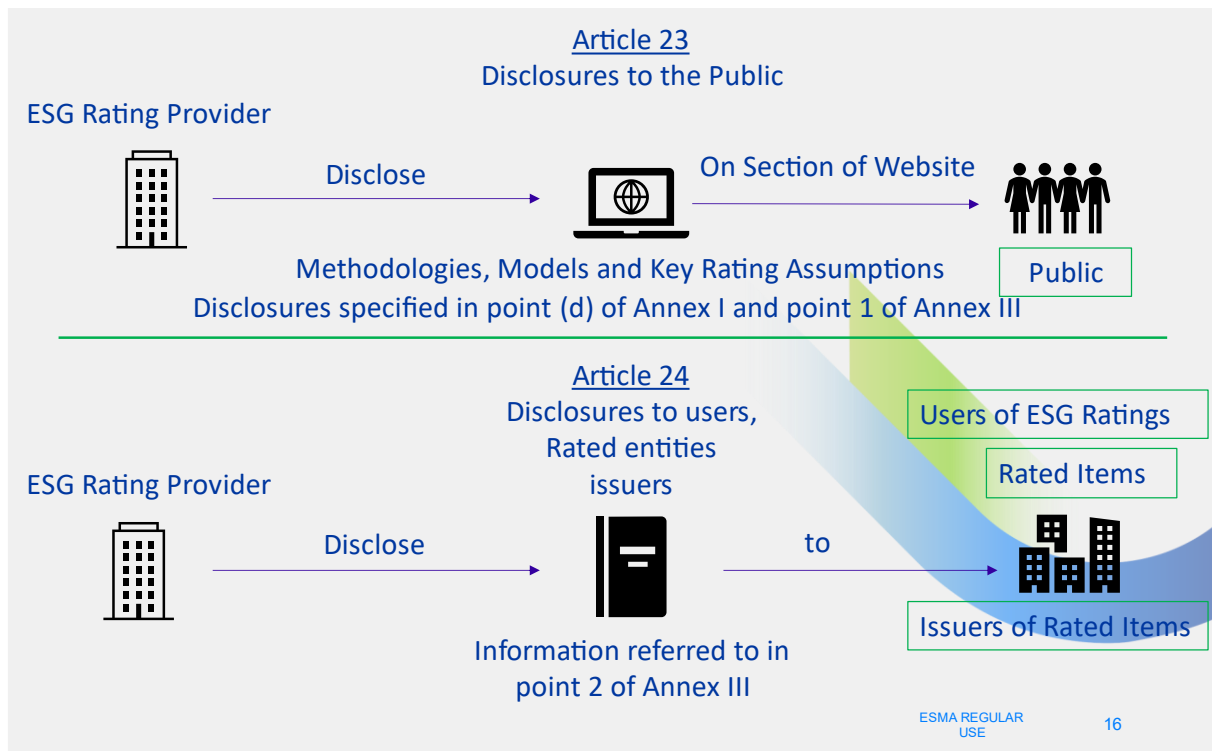


FIGURE 21 - OVERVIEW OF INFORMATION TO BE DISCLOSED UNDER ARTICLES 23 AND 24

5.2 Summary

27. On the basis that the empowerments under Articles 23(4) and 24(3) deal with a similar subject matter, ESMA has determined that it would be beneficial to produce a single RTS that specifies further the information to be disclosed under each empowerment.
28. In this regard ESMA considers that it is important to highlight that the disclosures to be made in accordance with point 1 of Annex III of the Regulation are additional to the disclosure of the ESG rating provider's methodology, models and key rating assumptions, which are themselves required to be disclosed to the public on the website of the ESG rating provider in accordance with Article 23(1).
29. The underlying concept of the draft RTS is that an ESG rating provider would not meet the disclosure requirements of point 1 of Annex III solely through the disclosure of its methodologies, models and key rating assumptions. This would be considered insufficient on the basis that such disclosure would not contribute to the objective of increased transparency or comparability as it would be incumbent upon the reader to identify where in these documents the relevant information required under Annex III was located.
30. For the disclosures to the public under 1 of Annex III, ESMA considers that the added value of the RTS under Article 23(4) is to provide information supplementary to that which is contained within the methodologies, models and key rating assumptions.
31. Finally, it should be noted that ESMA's draft RTS does not specify further the disclosure requirements for each item under points 1 and 2 of Annex III. Where ESMA has assessed that the Regulation is sufficiently detailed, no further specification is provided in the RTS and ESG rating providers should simply disclose the information as per the

item under point 1 or point 2 of Annex III. Where the RTS specifies further the information to be disclosed, ESG rating providers should disclose the information required by the relevant item of Annex III and also disclose the information required by the RTS.

5.3 Proposal

32. This RTS specifies further, where relevant, the information that should be disclosed by ESG rating providers in accordance with Annex III part 1 and Annex III part 2. For the information to be disclosed to the public under Annex III part 1, ESMA has proposed a common sequence in which this information should be disclosed. As mentioned, where the RTS does not specify further the information to be disclosed under a specific provision it is because the Regulation provision has been considered sufficient and the ESG rating provider should disclose as per this provision.
33. The sequence of Articles of the draft RTS follows the sequence of disclosures required under Annex III, as a result it addresses the disclosures to be made under point 1 of Annex III first, then the disclosures to be made under point 2. Within this logic, disclosure items are grouped by topic or family of disclosures, with like for like items being consolidated under different Articles, for example, methodological disclosures to be made to the public are grouped under Article 4 “General Methodological Disclosures”.
34. The disclosures in part 2 of Annex III that are specific to each rating distributed should cover at a minimum how major new information is taken into account in a rating change or how material alterations to rating methodologies, models, key rating assumptions or data sources affect a particular rating. In the case of aggregated ESG ratings, rating specific disclosures should also include the result of the assessment for each E, S and G category of factors, presented in a manner that ensures comparability of the E, S, and G category.
35. Finally, under Table 1 in the Annex of the draft RTS ESMA has specified a sequence and structure according to which the public disclosures should be made, in order to ensure that the information made available here is as comparable as possible across different ESG rating providers. The suggested sequence and structure of this table does not address those disclosures to be made under point 2 of Annex III, however ESMA is requesting input on whether respondents would see value in the draft RTS in Section 7.2.3 providing such a sequence and structure for all disclosures to be made under part 1 and 2 of Annex III of the Regulation.

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

6 Next Steps

36. ESMA will consider all responses submitted in response to this consultation paper before finalising these draft technical standards and submitting them to the European Commission before 2 October 2025.

7 Annexes

7.1 Annex I – Cost Benefit Analysis

	Costs to ESG Rating Providers	Costs to regulator	Benefits
RTS on Authorisation and Recognition	There may be costs for ESG rating providers to prepare the authorisation or recognition applications in accordance with the requirements of the draft technical standards.	It is not foreseen that there will be significant extra costs to ESMA beyond those already foreseen under the level 1 regulation.	The draft technical standards contribute to the European Commission's efforts at burden reduction and simplification by combining the empowerments under Article 6(3) and 12(9) into a single draft regulatory technical standard, thereby ensuring that the procedures for authorisation and for recognition are as aligned and streamlined as possible. They also provide further clarity on the specific information that should be provided as part of their application for authorisation or recognition.
RTS on Separation of Activities	There will be costs for all ESG rating providers. The level of costs will vary depending on the nature and extent of the additional activities to be carried out by the ESG rating provider.	It is not foreseen that there will be significant extra costs to ESMA beyond those already foreseen under the level 1 regulation, other than the deployment of supervisory	The draft technical standards aim to establish a level playing field amongst ESG rating providers by ensuring that all providers implement minimal measures to ensure the

	<p>All ESG rating providers will need to implement the organisational and physical measures specified in the RTS. This may entail costs related to establishing separate office spaces for its employees directly involved in the assessment process of a rated item.</p> <p>Those ESG rating providers which carry out or are permitted to carry out the activities specified in Article 16(1)(c)(d) or (f) of level 1 must also put in place additional technical and internal control measures. This may entail additional IT, training and compliance monitoring costs.</p>	resources to monitor compliance with the requirements of the RTS.	<p>prevention and mitigation of actual and potential conflicts of interest, irrespective of the complexity of their operations.</p> <p>The additional technical and control measures will ensure an appropriate level of additional safeguards to the integrity of the rating process for those ESG rating providers who carry out multiple activities within the provider.</p> <p>ESMA considers that these provisions are not disproportionate given that they are intended to compensate for the increased risks posed to the independence of analysts when multiple activities are carried out within the same ESG rating provider.</p>
RTS on Disclosures	There are limited costs imposed by these regulatory technical standards over and above what are created by the overarching level 1 regulation.	It is not foreseen that there will be extra costs for ESMA beyond those already foreseen under the level 1 regulation other than the deployment of supervisory resources to monitor	<p>The benefits proposed by the draft technical standards are predominantly two-fold.</p> <p>First, they contribute to the European Commission's</p>

	<p>Any incremental costs imposed by the draft regulatory technical standards can be broken down into two main categories (i) costs relating to specifying the information that is further required by the RTS (ii) costs relating to the ongoing upkeep and maintenance of the information disclosed. ESMA does not consider that the draft regulatory technical standards create any additional costs in respect of how this information is disclosed on the basis that the modalities of this disclosure (on a dedicated section of the ESG rating providers website) are already imposed through the level 1 regulation.</p>	<p>compliance with the requirements of the RTS.</p>	<p>initiative for burden reduction and simplification by combining the empowerments under Articles 23(4) and 24(3). In so doing they consolidate all disclosures to be made to the public, users of ratings and rated entities in a single regulatory technical standard, while clearly identifying which disclosures are to be made to each constituency.</p> <p>Second, they specify the order in which public disclosures should be made in order to ensure that these disclosures are made, thereby contributing to the regulation's overarching objective to improve transparency and comparability of ESG ratings where possible.</p> <p>As a result the benefits resulting from the draft regulatory technical standards are in accordance with the overarching objectives of the regulation and any costs imposed by the draft regulatory</p>
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			technical standard are therefore within the boundaries of the costs foreseen by the level 1 regulation.
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Q5 Do you agree with ESMA's proposed cost benefit analysis? If not, please explain.

7.2 Annex II Draft Technical Standards

7.2.1 Draft Regulatory Technical Standard under Article 6(3) and 12(9) of EU Regulation 2024/3005

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laying down regulatory technical standards for the application of Regulation (EU) 2024/3005 of the European Parliament and of the Council with regard to technical standards to specify the information contained in an application for authorisation or recognition to operate in the Union as an ESG rating provider

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2024/3005 of the European Parliament and of the Council of 27 November 2024¹¹ on the transparency and integrity of Environmental, Social and Governance (ESG) rating activities, and amending Regulations (EU) 2019/2088 and (EU) 2023/2859, and in particular Article 6(3), third subparagraph, and Article 12(9), third subparagraph, thereof,

Whereas:

(1) In accordance with the general objectives of Regulation (EU) 2024/3005, in particular to bring more clarity to, and enhance trust regarding, the operations of ESG rating providers, this Regulation should ensure that the information to be submitted to the European Securities and Markets Authority (ESMA) for the purposes of the authorisation and recognition processes enables ESMA to make an informed decision on the authorisation or recognition of an ESG rating provider.

(2) For ESG rating providers who wish to apply for the derogation under Article 16(3) of Regulation (EU) 2024/3005, the information necessary for ESMA to decide this derogation should be provided as part of their application for authorisation.

(3) This Regulation ensures that an application for registration includes sufficient information on how an applicant complies with the requirements for the provision of ESG ratings set out in Regulation (EU) 2024/3005.

¹¹ OJ L, 2024/3005, 12.12.2024.

(4) It is also necessary that the information to be provided in an application for recognition as an ESG rating provider enables ESMA to assess the conditions referred to in Article 12(5) of Regulation (EU) 2024/3005.

(5) The applicant should provide information on its address and registered office, contact details for relevant persons within the applicant including its ownership structure and entities within its ownership structure. In addition, the applicant should provide information about its senior management which includes their level of qualification, experience and training. This information should also cover the good reputation of the members of the senior management on the basis that this is of importance to ensuring the ESG rating provider meets its regulatory obligations.

(6) The applicant should provide information on the number of rating analysts, employees and other persons working for the applicant who are directly involved in ESG rating activities, the applicant should also provide a description of the procedures and methodologies used to issue and review ESG ratings.

(7) The applicant should also provide information on any existing or planned outsourcing arrangements, its expected use of endorsement and any other activities it intends to carry out.

(8) It should also provide information on any previous ESG rating activities, the steps taken to mitigate conflicts of interest within the ESG rating provider and the measures put in place to accoradance with Article 16(2) and 16(3) of Regulation (EU) 2024/3005 of the European Parliament and of the Council of 27 November 2024 on the transparency and integrity of Environmental, Social and Governance (ESG) rating activities, and amending Regulations (EU) 2019/2088 and (EU) 2023/2859. The applicant should also provide information regarding the expected market coverage of ESG ratings.

(9) Since the application for recognition and the application for authorisation are both required to include the information listed in Annex I of Regulation (EU) 2024/3005, it is appropriate that this Regulation specifies that common information while also specifying the additional information that is required in respect of applications for recongnition as appropriate.

(10) To safeguard security and enhance data management and usability, digital means of authorisation have been taken into account in setting out the standard forms, templates and procedures to be used by an application for an application for authorisation and recognition of an ESG rating provider. Any information submitted to ESMA in an application should be machine-readable and provided in a durable medium.

(11) In order to facilitate the identification of the information submitted by an applicant, documents included with an application should bear a unique reference number.

(12) For assurance and accountability purposes, an application submitted to ESMA should include a letter signed by a member of the senior management of the applicant, attesting that the submitted information is accurate and complete to the best of that member's knowledge.

(13) This Regulation is based on the draft regulatory technical standards submitted to the Commission by ESMA.

(14) ESMA has conducted open public consultations on the draft implementing technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the advice of the Securities and Markets Stakeholder Group established in accordance with Article 37 of Regulation (EU) 1095/2010 of the European Parliament and of the Council¹²,

HAS ADOPTED THIS REGULATION:

Article 1

Application for authorisation to operate as an ESG rating provider

An applicant for authorisation as an ESG rating provider applying to ESMA in accordance with Article 6(1) of Regulation (EU) 2024/3005 shall submit the information referred to in Annex II of this Regulation in the manner specified in Annex I.

Article 2

Application for recognition of an ESG rating provider established outside the Union

An applicant for recognition as an ESG rating provider established outside the Union applying to ESMA in accordance with Article 12(1) of Regulation (EU) 2024/3005 shall submit the information referred to in Annexes II and III of this Regulation in the manner specified in Annex I.

Article 3

Format of the application

1. An ESG rating provider shall provide its application to ESMA in a machine-readable format which stores information in a way accessible for future reference for a period of time adequate for the purposes of the information and which allows the unchanged reproduction of the information stored.
2. An applicant shall give a unique reference number to each document it submits. It shall ensure that the information it submits clearly identifies to which specific requirement of this Regulation it refers and in which document that information is provided.

¹² Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).

3. Where a group of ESG rating providers applies for authorisation or recognition, the application shall clearly identify each ESG rating provider to which the information applies. When the same information applies to more than one ESG rating provider, for the purpose of filling in the table in Annex III, the same reference number will be given for the common information.

4. An applicant shall include in its application a letter signed by a member of the ESG rating provider's senior management, attesting that the submitted information is accurate and complete to the best of the member's knowledge, as of the date of that submission.

Article 4

Number of employees

Any information regarding number of employees shall be provided on a full-time equivalent basis calculated as the total hours worked divided by the maximum number of hours subject to compensation within a working year as defined by the relevant national law.

Article 5

Policies and procedures

An applicant may fulfil the obligation to provide information regarding its policies and procedures under this Regulation by submitting a copy of the relevant policies and procedures.

Article 6

Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Commission

On behalf of the President

ANNEX I

DOCUMENT REFERENCES

Annexes to this Regulation	ESG rating provider applicant reference number	Title of the document	Chapter or section or page of the document where the information is provided or reason why the information is not provided
...			
...			
...			
...			

ANNEX II

INFORMATION TO BE PROVIDED IN AN APPLICATION FOR AUTHORISATION OR RECOGNITION

Part A) - General Information

- 1) Full name of the applicant.
- 2) in case of an application in accordance with Article 6(1) of Regulation (EU) 2024/3005, address of the registered office of the applicant within the Union [*EU Member State, city, street address, postal code*] or, in case of an application in accordance with Article 12(2) of Regulation (EU) 2024/3005, address of the registered office of the applicant outside the Union [*Country, city, street address, postal code*].
- 3) Applicant's website.
- 4) *Where available*, the applicant's legal entity identifier (LEI) number.

Part B) – Contact person details

- 1) Name.
- 2) Title.
- 3) Address.
- 4) Email address.
- 5) Telephone number.

Part C) – Legal status

Legal status of the applicant, with an excerpt from the relevant commercial or court register, or other form of evidence of the applicant's legal status.

Part D) – Ownership structure

- 1) Articles of association of the 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, 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.

Part E) - Activities

For any undertakings referred to in point 4 of Part D) that provide ESG ratings, or any activity listed in Article 16(1) of Regulation (EU) 2024/3005:

- a) Activity provided (ESG Rating or others listed in Article 16(1) of that Regulation);
- b) *where applicable*, competent authority.

Part F) - Senior management

1) Organisational chart detailing the applicant's organisational structure, including a clear identification of the role, duties and responsibilities for each member of senior management.

2) For each member of senior management:

- a) Name;
- b) place of birth;
- c) date of birth;
- d) role of the members within the senior management of the applicant;
- e) curriculum vitae showing at least the level of qualification, experience and training;
- 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.

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) For any person referred to point (1):

- a) Name;
- b) role;
- c) type of contract [*temporary or permanent*];
- d) years in the role;

e) years in the industry.

Part H) - Expected market coverage

1) The number of ESG rating products within the meaning of Article 3(1) of Regulation (EU) 2024/3005 that the applicant intends to provide in the Union.

2) For each ESG rating product mentioned in point (1):

a) Name of the product;

b) description of the product;

c) the **geographical markets** in which the product will be offered, specifying whether it will be offered Union-wide or in selected Member States and the expected number of rated items, issuers or issuers of rated items on a member state by member state basis, *where applicable*;

d) whether the product is offered on an issuer paid/investor paid or unsolicited basis.

Part I) - Procedures and methodologies of ESG ratings

1) For each ESG rating product listed in Part H, the description of applicable procedures and methodologies, models and key rating assumptions to issue ESG ratings, including information on:

a) Whether the applicant expects to use information disclosed under Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability - related disclosures in the financial services sector and Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC; and,

b) whether the applicant expects to use methodologies that are based on scientific evidence and takes into account the targets and objectives of the Paris Agreement or any other relevant international agreements.

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 J) - Policies or procedures for conflicts of interest

Policies and procedures implemented to identify, manage and disclose any conflicts of interest as referred to in Article 15 of Regulation (EU) 2024/3005. These policies and procedures shall contain or be accompanied by:

- a) A description of the measures to be undertaken in the event of a breach of such policies;
- b) a description of internal reporting channels for receiving and handling information provided by persons reporting on actual or potential breaches and for ensuring the protection of such persons' identity;
- c) the review and approval process for the onboarding of new clients, employee personal account dealing, outside business activities and the acceptance of gifts and hospitality;
- d) the criteria to determine the remuneration of the persons involved directly in the provision of ESG rating activities;
- e) the terms of reference for the management body as defined in Article 3(11) of Regulation (EU) 2024/3005.

Part K) - Outsourcing arrangements

Where applicable, documents and information related to any existing or planned outsourcing arrangements for activities covered by Regulation (EU) 2024/3005, including:

- a) The outsourcing policy or other documents demonstrating compliance with the requirements of Annex II point 2 of that Regulation;
- b) a copy of any existing outsourcing agreements;
- c) information on any foreseen outsourcing agreements.

Part L) – Other activities & expected endorsements

Where applicable, information about the applicant's other activities, including the name and description of any other business activities carried out by the applicant, or which the applicant intends to carry out and, *where applicable*, the competent authority.

Part M) – Specific measures implemented by the applicant

1) For any activities referred to in Article 16(1)(a), (b), (d) and (f) of Regulation (EU) 2024/3005, information regarding the specific measures that the applicant has put in place in accordance with [RTS on Separation of Business]:

2) An explanation as to why the measures referred to in point 1) are deemed sufficient by the applicant.

Part N) – Previous ESG rating activities

Where applicable, information about previous ESG rating activities, 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 applicable*, identity of supervisory authority.

ANNEX III

ADDITIONAL INFORMATION TO BE PROVIDED IN AN APPLICATION FOR RECOGNITION

Part A) - Legal representative in the member state of reference

1) With respect to the legal representative established in accordance with Article 12(3) of Regulation (EU) 2024/3005:

- a) Full name of the legal representative;
- b) the Legal Entity Identifier, where available;
- c) articles of incorporation, articles of association or other constitutional documents and whether it is supervised by a supervisory authority;
- d) written confirmation of the authority of the legal representative to act on behalf of the applicant in accordance with Article 12(3) of Regulation (EU) 2024/3005;
- e) the name, title, address, email address and telephone number of a contact person within the legal representative.

2) With respect to the ESG rating provider applying for recognition:

- a) An assessment by the legal representative of how the measures put in place by the ESG rating provider are sufficient to meet the requirements of Regulation (EU) 2024/3005;

- b) a description of the measures put in place by the legal representative to monitor compliance on an on-going basis.

Part B) - Information on turnover

For each of the last three consecutive years the applicant ESG rating provider shall provide:

- a) A copy of its annual financial reports, including individual and consolidated financial statements, *where applicable*.
- b) where the financial statements are subject to external independent audit, the financial reports shall include the audit reports on the annual and consolidated financial statements;
- c) where the audit reports in point b) are not available, an assessment by an independent external auditor or certification of the competent authority of the third country where the ESG rating provider is established of the annual net turnover of all of its activities for each of the last three consecutive years.

Part C) – Information on ESG ratings intended to be distributed in the Union

As at the date of application, the list of all ESG ratings issued or expected to be issued by the applicant ESG rating provider in .csv format, including the following characteristics:

- a) Name of ESG rating.
- b) Name of rated item;
- c) Last rating notch or value;
- d) Date when rating was last updated;

Part D) – Information on third country competent authority

Where applicable, with reference to the competent authority of the third country:

- a) Name of third country authority
- b) Address of third country authority
- c) Activity for which applicant was licenced or supervised
- d) Respective dates for which applicant was licensed

ANNEX IV

ADDITIONAL INFORMATION TO BE PROVIDED RELATED TO ENDORSEMENT OF ESG RATINGS PROVIDED BY ESG RATING PROVIDERS ESTABLISHED OUTSIDE THE UNION

Information whether the ESG rating provider is lodging a request to be authorised to endorse ESG ratings provided by ESG Rating provider established outside the Union in accordance with Article 11(1)(a) of Regulation (EU) 2024/3005, and if so, for each expected endorsement:

- a) The identity of the legal entities from which ratings will be endorsed.
- b) The information required under Part H, Annex II of this Regulation for each category of ESG ratings to be endorsed.
- c) Objective reasons for the endorsement of each category of ESG ratings.
- d) The measures put in place by the ESG rating provider to ensure compliance with Article 11(1) of Regulation (EU) 2024/3005 .

ANNEX V

ADDITIONAL INFORMATION TO BE PROVIDED IN A REQUEST TO ESMA TO BE AUTHORISED TO PROVIDE BENCHMARKS

- 1) Information whether the ESG rating provider is lodging a request to be authorised to provide benchmarks in accordance with Article 16(3) of Regulation (EU) 2024/3005 and, if so,
- 2) The specific measures that the applicant has put in place in accordance with [*Article 3 of RTS on Separation of Business*]:
- 2) An assessment as to why the measures referred to in point 2) are deemed sufficient by the applicant.
- 3) Information on whether the ESG Rating Provider will provide any benchmark that pursues sustainability objectives, in particular EU Climate Transition Benchmarks and EU Paris-aligned benchmarks in accordance with Regulation (EU) 2016/1011.

7.2.2 Draft Regulatory Technical Standard under Article 16(5) of EU Regulation 2024/3005

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supplementing Regulation 2024/3005 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the measures and safeguards to be implemented by ESG rating providers in relation to the separation of business and activities

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2024/3005 of the European Parliament and of the Council of 27 November 2024 on the transparency and integrity of Environmental, Social and Governance (ESG) rating activities, and amending Regulations (EU) 2019/2088 and (EU) 2023/2859, and in particular Article 16(5) thereof,

Whereas:

- (1) In accordance with Article 16(5) of Regulation (EU) 2024/3005, this Delegated Regulation sets out the measures and safeguards that an ESG rating provider shall put in place in order to be able to provide the activities listed in paragraph 1.
- (2) ESG rating providers should allocate employees with clearly delineated roles and responsibilities to distinct structures within the organisation to prevent any potential conflicts of interest, in order to ensure that rating analysts are not involved in the provision of services to clients that could create actual or potential conflicts of interest. An ESG rating provider should also apply physical separation measures to prevent the flow of sensitive information and avoid unduly influencing different structures or areas of the business.
- (3) An ESG rating provider already engaged or intending to engage in investment services and activities, activities of credit institutions and insurance or reinsurance activities may provide those services if it adopts additional technical and internal control safeguards in the form of information security and network-related controls, internal policies and procedures, training, contractual measures and compliance monitoring checks, in order to preserve the independence of the ESG rating process.
- (4) An ESG rating provider intending to engage in the provision of benchmarks through the same legal entity should complement organisational, physical, technical and internal control measures with the application of additional safeguards in relation to the remuneration and variable compensation arrangements of employees or other persons involved in the assessment process, the product design and offering of ESG ratings products and pre-contractual arrangements aiming to identify actual or potential conflicts of interest.

- (5) This Regulation is based on the draft regulatory technical standards submitted by ESMA to the European Commission in accordance with Article 10 of Regulation (EU) No 1095/2010 of the European Parliament and of the Council.
- (6) ESMA conducted open public consultations on the draft regulatory technical standards on which this Regulation is based and analysed the potential related costs and benefits and requested the advice of the Securities and Markets Stakeholder Group established in accordance with Article 37 of Regulation (EU) 1095/2010 of the European Parliament and of the Council²,
- (a)

HAS ADOPTED THIS REGULATION:

Article 1

Measures and safeguards in relation to the activities listed in Article 16(1) of Regulation (EU) 2024/3005

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.

Article 2

Measures and safeguards in relation to points (d) and (f) of Article 16(1) of Regulation (EU) 2024/3005

1. When involved in the activities listed in points (d) and (f) of Article 16(1) of Regulation (EU) 2024/3005, ESG rating providers shall implement the following measures within the organisation and, where applicable, at group level:

- (a) digital access management providing for network segmentation and role-based access control;
- (b) information controls that enable watermarking methods and data classification levels;
- (c) policies and procedures on management of confidential information;
- (d) regular training of employees on the importance of information barriers;
- (e) contractual measures that ensure compliance of employees, throughout the term of their employment, with the internal policies of ESG rating providers;
- (f) compliance monitoring activities to identify conflicts of interest, including through the review of communications data of employees involved in the assessment process of a rated item.
2. ESG rating providers shall perform an assessment of the appropriateness and sufficiency of the measures implemented pursuant to paragraph 1 at least once every 12 months.
3. The outcome of the assessment carried out pursuant to paragraph 2 shall be subject to approval by the management body.

Article 3

Measures and safeguards in relation to point (c) of Article 16(1) of Regulation (EU) 2024/3005

ESG rating providers intending to provide benchmarks as defined in Article 3(1), point (5), of Regulation (EU) 2016/1011 shall comply with the measures set out in Article 2 and adopt additional safeguards, to ensure that:

- (a) the compensation and performance evaluation arrangements applicable to employees and other persons involved in the assessment process of a rated item is not affected by any potential risk of conflicts of interest originating from the ESG rating provider's involvement in the activity of benchmarks provision;
- (b) the production and offering of ESG ratings products does not rely on a mechanistic use of the constituents or output of a benchmark for which the ESG rating provider is the administrator;
- (c) an assessment on the existence of any actual or potential conflicts of interest is conducted and documented before entering into a contract for the provision of services to a rated item, issuer of a rated item or an investor who has an established client relationship with the ESG rating provider or, where applicable, a member of its group.

Article 4

Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Commission
On behalf of the President*

7.2.3 Draft Regulatory Technical Standard under Articles 23(4) and 24(3) of EU Regulation 2024/3005

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supplementing Regulation (EU) 2024/3005 of the European Parliament and of the Council with regard to the elements to be disclosed to the public and to users of ESG ratings, rated items and issuers of rated items

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2024/3005 of the European Parliament and of the Council of 27 November 2024 on the transparency and integrity of Environmental, Social and Governance (ESG) rating activities, and amending Regulations (EU) 2019/2088 and (EU) 2023/2859 (Text with EEA relevance)¹³, and in particular Article 23(4), and Article 24(3), third subparagraph, thereof,

Whereas:

- (1) 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 to the public, the users, the rated items and issuers of rated items about each of their ESG rating products. This is to enable an appropriate level of due diligence, facilitate cross comparison with other ESG rating products, and understand any limitations of the product or the underlying methodologies.
- (2) The availability to the public of comprehensive methodologies, models and key rating assumptions supporting ESG rating activities on the website of the ESG rating provider is important to foster transparency for these products. In this regard, ESG rating providers should provide the relevant disclosures in a manner that better facilitates their comparison by the public, in the sequence and structure set out in table 1 included in the Annex of this Regulation.
- (3) On the basis that the disclosures to be made available to users of ESG ratings, rated items and the issuers of rated items are complementary to those which are to be made to the public it is appropriate that this regulation consolidates the empowerments for Article 23(4) and 24(3) in a single regulation, while at the same time clearly identifying which disclosures are to be made to the relevant parties in separate Articles.

¹³ OJ L, 2023/2631, 30.11.2023.

- (4) This Regulation is based on the draft regulatory technical standards submitted to the Commission by ESMA in accordance with Article 10 of Regulation (EU) No 1095/2010 of the European Parliament and of the Council¹⁴.
- (5) ESMA has conducted open public consultations on the draft regulatory technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the advice of the Securities and Markets Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1095/2010 of the European Parliament and of the Council,

HAS ADOPTED THIS REGULATION:

Article 1

Disclosure of information

ESG rating providers shall ensure that the disclosures referred to in Annex III of Regulation (EU) 2024/3005 are accompanied by the information specified in this Regulation.

Article 2

Presentation and comparability of information

ESG rating providers shall ensure that the information to be disclosed in accordance with Annex III of Regulation (EU) 2024/3005 and this Regulation is presented in accordance with the sequence and structure set out in the Annex of this Regulation.

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 is assessing risks;
 - (c) the specific impacts covered, where the ESG rating 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 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 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;
 - (b) specify whether the rating is benchmarking 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

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;
 - (iii) 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.
4. As part of the information disclosed in accordance with Annex III, point 1, letter (k), of Regulation (EU) 2024/3005, ESG rating providers shall specify the risks and limitations per types of artificial intelligence technologies employed and their use in data collection and the rating process.
- (b)

Article 5

Limitations in data sources, methodologies and information

- (c) 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.

Article 6

Organisational disclosures

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;
 - (d) whether any risks originate from entities which belong to the same group of undertakings.
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;
 - (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.
3. As part of the information disclosed in accordance with Annex III, point 1, letter (l), of Regulation (EU) 2024/3005, ESG rating providers shall explain:
 - (a) how the criteria applied by ESG rating providers for establishing fees align with the steps required to ensure that they are charged in a fair, reasonable, transparent and non-discriminatory manner;
 - (b) whether the ESG rating provider operates a subscription-paid model, an issuer-paid model, a combination of these, or another model;
 - (c) a description of the relevant business model, and the proportion of total annual revenue including total turnover, of the ESG rating provider derived from each model;
 - (d) where applicable, the impact of fees charged for services other than ESG rating activities on establishing fees charged in respect of ESG ratings and a description of those services.

Article 7

Specific Methodological Disclosures

1. As part of the information disclosed in accordance with Annex III, point 2, letter (b), subpoint (i) of Regulation (EU) 2024/3005, ESG rating providers shall specify the methods used to collect any non-public data.
2. As part of the information disclosed in accordance with Annex III, point 2, letter (c), of Regulation (EU) 2024/3005, ESG rating providers shall specify:
 - (a) the means and frequency of engagement with rated items and issuers of rated items;

- (b) the purpose of onsite engagement with rated items and issuers of rated items;
 - (c) how the input from that engagement is considered within the methodology with reference to the treatment of relevant internal documents of the rated items and issuers of rated items.
3. As part of the information disclosed in accordance with Annex III, point 2, letter (a), subpoint (iv), of Regulation (EU) 2024/3005, ESG rating providers shall include a description of any potential shortcomings relating to the use of preestablished statistical or algorithmic systems or models in ESG measures.

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:
- (a) the process and frequency for revising the methodologies;
 - (b) the conditions for determining the need for a revision of a methodology;
 - (c) where applicable, the process of engagement with stakeholders during the revision process;
 - (d) the process for assessing the potential impact of the revision on ESG ratings subject to the relevant methodology.
- (e) As part of the information disclosed in accordance with Annex III, point 2, letter (b), subpoint (iii), of Regulation (EU) 2024/3005, ESG rating providers shall explain the steps taken to ensure the accuracy and consistency of the data revision process.

Article 9

Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Commission
On behalf of the President*

Annex

Table 1

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

	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	Annex III.1.m	Article 5
	Annex III.1.q	Article 5
Organisational Disclosures	Annex III.1.d	Article 6(2)
	Annex III.1.l	Article 6(3)
	Annex III.1.n	Article 6(1)

7.3 Annex III List of Questions

Q1	Do you agree with ESMA's proposals for the draft technical standard under Articles 6(3) and 12(9)?
Q2	Do you agree with ESMA's proposals for the draft technical standard under Article 16(5)?
Q3	Do you agree with ESMA's proposals for the draft technical standard under Articles 23(4) and 24(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.
Q5	Do you agree with ESMA's proposed cost benefit analysis? If not, please explain.