

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 _ESGR_1>. Your response to each question has to be framed by the two tags corresponding to the question.
4. If you do not wish to respond to a given question, please do not delete it but simply leave the text "TYPE YOUR TEXT HERE" between the tags.
5. When you have drafted your response, name your response form according to the following convention: ESMA_EUGB_nameofrespondent_RESPONSEFORM. For example, for a respondent named ABCD, the response form would be entitled ESMA_ESGR_ABCD_RESPONSEFORM.
6. Upload the form containing your responses, **in Word format**, to ESMA's website (www.esma.europa.eu under the heading "Your input – Open Consultations" -> Consultation Paper on technical standards on the European Green Bonds Regulation").

Publication of responses

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

Data protection

Information on data protection can be found at www.esma.europa.eu 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	Deutsches Aktieninstitut e.V.
Activity	Choose an item.
Are you representing an association?	<input checked="" type="checkbox"/>
Country/Region	Germany

Questions

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

<ESMA_QUESTION_ESGR_1>

From an issuer's perspective it is an important element of the ESG Ratings Regulation that providers of ESG ratings have to comply with a number of minimum standards regarding business conduct, conflict of interest management and transparency as laid down in Title III of the Regulation.

All these elements are also relevant for the application process and the information provided to ESMA in this context.

In addition to our more specific comments below, we therefore like to point to some aspects that are of particular relevance to ensure that ESG rating providers act with highest professional standards and provide high-quality ratings.

Overall, it has to be ensured that issuers understand (a) the specifics of the methodology ESG ratings, (b) its practical application in individual cases, (c) get accurate information on the sources of input data, (d) have the opportunity to engage with providers on factual errors and misunderstandings, and (e) on this basis can adjust their own behaviour and priorities to changes by ESG rating providers. Thus, care should be taken on these aspects already during the application process.

Furthermore, ESMA should take care of rating providers' obligation to ensure that information that is used by them is of sufficient quality and up-to-date. This is particularly relevant for so-called controversy reports (i.e. specific ratings aiming at flagging and evaluating controversial ESG issues) which are regularly based on media analyses. Issuers have made the experience that such controversies remain flagged and thus may have an impact on investment decisions even if they have disappeared or have happened a long time ago.

Against this background, though we generally welcome ESMA's proposal for the RTS we would like to point also to some specific aspects that should be further specified and considered during the application process.

Recital (6) of the proposal could be further specified so that the applicant also will have to provide information on the number of employees that are working on outsourced activities. This could for example be relevant for help desk employees often being the first contact for rated entities' requests thus potentially creating a bottleneck for smooth interaction.

Recital (7) should be interpreted in a way that the ESG Rating provider must disclose and ensure that all activities (be it outsourced or not) are staffed by qualified professionals (educational background, experience, etc.) and that feedback to users' or rated entities' will be provided in due time (i.e. within a few working days).

Annex II, Part I, 1 b) of the proposal should not only provide for as to "whether" the applicant expects to use methodologies that are based on scientific methods, but also more specifically **which** scientific evidence is used and **how** it is incorporated in their methodology. It should be assured that an applicant claiming to use scientific evidence/methods needs to be transparent on the fact, that the claim is justified with evidence. Note that this is also relevant for the general disclosure obligation according to Art. 23 of the ESG Ratings Regulation in conjunction with Annex III (1) e) demanding information on "whether and how the rating methodologies are based on scientific evidence"

Annex II, Part I, 2) and 3) touch upon a very important aspect for improving professional standards in the ESG ratings market. For rated entities and users of ESG ratings it is key that the procedures to review the ESG ratings products and methodologies, models and key rating assumptions are fully transparent. Furthermore, markets participants should have enough time to adapt to new methodologies and the potential consequences resulting from these change to individual ratings. Applicants should therefore not only ensure a high level of transparency on the review procedure but also should grant affected companies enough time to adjust to it. Therefore, changes to methodologies, models and key rating assumptions (incl. impact of industry classifications on rating score) should be announced with enough time before their first application in practice (e.g. three months) and changes in the methodologies during an ongoing rating process should be avoided in any case. <ESMA_QUESTION_ESGR_1>

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

<ESMA_QUESTION_ESGR_2>

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<ESMA_QUESTION_ESGR_2>

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

<ESMA_QUESTION_ESGR_3>

|As stated in our response to question 1 of the consultation a high level of transparency is key for the ESG rating market to work smoothly and to avoid unjustified negative impact on rated entities due to lack of information.

We have therefore supported the transparency requirements regarding the methodology and changes to it according to Art. 23 und Art. 24 of the ESG Ratings Regulations. We also generally support ESMA's proposed RTs.

However, we would like to reiterate on some important aspects, partly already mentioned in our response to question 1 that should be better recognized.

When ESG Rating providers provide aggregated ratings covering E, S, and G aspects (which is the base case for many ratings) the description of these aspects should also include the weighting of the ESG factors (see Article 3, (2) a) which is not clear in that respect). This includes that, if ESG rating products are customized based on geographical location, company size, or industry sector, etc. the ESG rating provider must explain how and why the individual ESG rating products are created.

Regarding changes to methodologies and procedures addressed in Article 4 (1) e) und f) it is essential to have clear guidelines on these changes covering e.g. industry specifics if applicable, and other relevant details. Furthermore, the timeframe for informing users and rated entities should be reasonable so that changes are made public and communicated with sufficient time before their first application (e.g. three months). Otherwise, issuers cannot adjust to the changes and investors have not enough time to understand the effects of the changes. Similarly, changes should not be applied with retrospective effect to information already published. Furthermore, effects on ratings due to

amendments to the methodology shall also be made clearly transparent (i.e. ratings providers should provide a like-for-like comparison how methodology changes affect ratings), so that issuers and users clearly see the effect and misunderstandings are avoided.

In addition to the aspects above covering transparency obligations to the public, it is our understanding that ESMA's proposal does not outline many detailed requirements regarding additional information provided to users and rated entities.

In this regard it is important, that an open and transparent communication is established, issuers will be informed about an ongoing rating process and get the opportunity for review and feedback before a rating will be published or provided to users of the ratings. This is particularly important, if ESG rating providers assess companies exclusively on publicly available data, so that issuers might even not know that they are evaluated.

A second point that regularly causes concerns and misunderstandings is that rated entities are not properly informed about the sources of input data for the rating in general and for individual input data points more specifically. Also, they are not informed whether or not data is used that rated entities have provided on the basis of existing regulation or on other data sources. For example, ESG rating providers should be transparent on which input data points are linked to existing reporting requirements like the CSRD. Such a mapping would ease interaction, allow issuers' to benefit from synergies with the CSRD and also reflects the idea that CSRD information should be the guiding ESG information for the stakeholders. |

<ESMA_QUESTION_ESGR_3>

Q4. Do you consider that the draft technical standards under Articles 23(4) or 24(3) should instead provide an expanded table in Annex proposing a sequence and structure for all disclosures to be made under parts 1 and 2 of Annex III? If yes, please explain the benefits of such an approach.

<ESMA_QUESTION_ESGR_4>

Yes, an expanded table in Annex also covering the information requirements of part 2 of the Annex III of the Regulation would help to avoid misunderstandings and make it clear for the ESG Rating Agency how to structure and arrange the content, so that no room for interpretation persist. It would also increase the comparability of ESG ratings providers and allow companies to more easily decide whom to engage with.

<ESMA_QUESTION_ESGR_4>

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

<ESMA_QUESTION_ESGR_5>

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<ESMA_QUESTION_ESGR_5>