

The evolving landscape of ESG ratings and data products

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This publication is an ICMA staff paper benefitting from the input of ICMA committees and members but does not necessarily represent their views.

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Executive Summary

The growing recognition that environmental, social and governance (ESG) factors are both financially material to a company and to the overall impact of its activities has led to a rapid expansion in the use of ESG ratings, scores and data products across capital markets. ESG ratings and data product providers have become increasingly important partners for investors, issuers and other market participants, supporting investment decision-making, risk management, engagement activities and regulatory compliance. At the same time, the diversity of products, methodologies and business models has led to initiatives to ensure appropriate transparency, comparability, and reliability, as well as mitigate the potential for conflicts of interest and greenwashing risks.

This paper provides an overview of the evolving landscape of ESG ratings and data products, examining the types of products and services offered, their use by market participants and the regulatory and policy responses that have emerged in recent years. It draws on ICMA research, including a survey of asset owners and asset managers representing approximately USD28 trillion in assets under management, to illustrate how ESG ratings and data products are used in practice across equity, debt and loan markets.

The paper highlights important distinctions between ESG ratings, scores and data products, including differences in methodologies, treatment of risk and impact in “single” and “double” materiality, use of estimates, proxies and sectoral data as well as the incorporation of analyst judgement. It also notes that ESG ratings and scores typically show low correlation across providers, reflecting divergent assumptions, objectives and analytical approaches. While this diversity can support more nuanced analysis, it can also make it challenging for users to navigate the market of ESG products.

Regulatory attention to ESG ratings and data products has intensified, driven by concerns around market integrity, investor protection and transparency. IOSCO’s 2021 report and subsequent Good Practices provided a common international reference point, encouraging proportionate, market-led responses. This has led to the development of voluntary codes of conduct in several jurisdictions, including the ICMA Code of Conduct for ESG Ratings and Data Product Providers, which seeks to improve transparency, governance and engagement while remaining globally interoperable.

Alongside these voluntary initiatives, which have already led to an increase in transparency, binding regulatory regimes are emerging. The EU regulation on the transparency and integrity of Environmental, Social and Governance rating activities (ESGR) is considered the first formal, binding legislation to regulate the ESG ratings market in a major global jurisdiction noting however that the Securities and Exchange Board of India (SEBI) had previously brought ESG rating providers under its regulatory purview. The United Kingdom is also developing a tailored regulatory approach aligned with international principles. These developments reflect a broader trend towards increased oversight, albeit with differing scope, pace and design.

The paper concludes by identifying key issues, including the interaction between regulation and voluntary codes of conduct, the treatment of ESG data and internally produced ratings, the implications of standardised corporate sustainability disclosures and the question of divergence versus convergence of ESG ratings and rating scales.

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Introduction

The realisation that what was initially referred to as “non-financial” data is both financially material to a company and to the overall impact of its activities has led to a surge in demand for information that led to the development of ESG ratings and ESG data products, as well as a range of related products and services. Driven by this, providers of ESG ratings and data products have grown in importance and number and have come to play a major role in the sustainable finance ecosystem with especially investors looking to them for insights. Taking note of these developments, IOSCO set out in 2021¹ to better understand the implications of the increasingly important role of ESG ratings and data products for financial markets.

This paper provides an overview on the market landscape and the types of ESG products and services being offered. It identifies the main users and looks at how asset managers and asset owners are using the products and services. It summarises the concerns expressed by the regulatory community which have made their way into both voluntary codes of conduct as well as regulation. It then points out the key issues that will need to be addressed going forward.

This paper benefits from the input of asset owners and managers. ICMA conducted a survey in October 2025 with its buy-side members receiving responses from organisations which together represent an estimated USD28 trillion of assets under management. Their feedback is directly integrated into the relevant sections of this paper and an overall summary is provided in Annex I.

¹ [Environmental, Social and Governance Ratings and Data Products Providers \(IOSCO,FR09/2021\)](#).

I. ESG ratings and data products

The landscape of ESG product providers has consolidated through mergers and the acquisition of specialised firms by larger providers of capital market services. In addition, more technology driven providers have emerged. At present, the market therefore is characterised by actors who have a range of specialisations and differentiated offerings. This was also reflected in the responses to our survey which showed that investors on average use six different providers, which is different from the credit rating space, where reliance is typically on two or three agencies.

Beyond ESG ratings and scores, these organisations sell a wider array of products and services including ESG data and controversy reports. These are also used to underpin other products such as ESG indices and funds. Some providers offer specialised services including second party opinions (SPOs) for sustainable bonds. Our survey identifies MSCI, MorningstarSustainalytics (“Sustainalytics”), ISS and S&P Global (including Trucost) as the top providers for third-party ESG ratings, scores and data products. In total, respondents reported using 29 different providers, with an average of about six subscriptions per organisation.

ESG Ratings and Scores

The terms ESG ratings and ESG scores are often used interchangeably and are umbrella terms that cover different underlying products and approaches. IOSCO in its November 2021 report came up with the terminology below.

ESG ratings refer to the broad spectrum of ratings products that are marketed as providing an opinion regarding an entity a financial instrument or a product, a company’s ESG profile or characteristics or exposure to ESG, climatic or environmental risks or impact on society and the environment that are issued using a defined ranking system of rating categories, whether or not these are explicitly labelled as “ESG ratings”.

IOSCO further observed that typically only ESG ratings have the qualitative element of an analyst opinion and are marketed as “ratings” which is not dissimilar to some elements in credit ratings.² Unlike credit ratings, which use a letter-based grade and have a very high correlation between different agencies, ESG ratings can be expressed in both numeric and letter-based formats, and show a big divergence³. The latter is due to ESG providers having developed their own independent methodologies which usually aggregate various factors under the E, S and G categories as well as sometimes other criteria. These methodologies measure various factors (e.g. risk, resilience, impact), identify key or material issues under E, S and G, and apply different weights. In Annex II we provide a comparison of the methodologies of some providers.

ESG ratings and scores typically evaluate the ESG performance of a company based on financially material ESG risks to a company’s economic value and how well it is managing them. This is referred to as “single” materiality. Some providers (e.g. [S&P Global Sustainable1](#), [ISS](#)) consider “double” materiality which means that at least in some of their products they are also taking into account a company’s impact on the environment and people. A company receiving a very good (high or low, depending on how to interpret the scale of the provider) ESG rating or score, does therefore not necessarily mean that it is having a positive effect on the environment or society.⁴

² As per Annex II, despite containing qualitative analysis some providers use the word “score”, e.g. S&P Global’s reason being that it reserves the word “rating” only for its credit ratings.

³ Aggregate Confusion: The Divergence of ESG Ratings https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3438533.

⁴ MSCI, for example, provides the following clarification on its website: “MSCI’s ESG ratings are designed for one purpose: to measure a company’s resilience to financially material environmental, societal and governance risks. Our ESG ratings provide a window into one facet of risk to financial performance. They are not a general measure of corporate “goodness,” a barometer on any single issue or a synonym for sustainable investing” (<https://www.linkedin.com/pulse/what-mscis-esg-ratings-msci-inc/>).

ESG scores⁵ are also being used in relation to credit ratings where ESG factors are believed to be material to credit risk and can have a negative or positive impact on creditworthiness, depending on whether they represent a risk (e.g. additional costs or litigation risk) or an opportunity (e.g. resulting in new earnings).⁶

Finally, the economic model of ESG ratings is different from credit ratings which are typically paid for by the organisation being rated whereas ESG ratings are generally paid for by investors. Some ESG providers are giving rated entities the opportunity to review their reports and engage with analysts about their evaluation. Most providers will issue ESG ratings, scores and/or data on a commercial basis, however, they also make some ESG ratings and data publicly available on their website. Moreover, there are non-profit providers like [CDP](#) (ranked highly by both investors and corporates⁷) and investor initiatives such as the [Transition Pathway Initiative](#) (TPI) that provide some (e.g. CDP cities, states and regions [open data portal](#)) or even all data and scores for free.

Internal ratings

It is important to note that asset manager and owners, using data, scores and ratings mostly bought from providers, have also sought to develop their own ESG capabilities by producing mainly internal ESG scores but in some cases also ESG ratings based on proprietary methodologies and models including doing qualitative analysis. Their rationale for developing their own ESG ratings and scores include reducing reliance on externally provided ESG products⁸, improving transparency and consistency, customising to specific investment strategies, and cost management. Our survey indicates that almost all asset managers and owners create their own ESG scores, although a majority also develop internal ESG ratings.

ESG Data Products

Many providers realised the value of (raw) data to investors and thus the potential to commercialise standalone data products. IOSCO in its 2021 report came up with the terminology below for ESG data products:

“ESG data products”: refer to the broad spectrum of data products that are marketed as providing either a specific E, S, or G focus or a holistic ESG focus on an entity, financial instrument, product or company’s ESG profile or characteristics or exposure to ESG, climatic or environmental risks or impact on society and the environment, whether or not they are explicitly labelled as “ESG data products”.

ESG data providers collect, standardise and re-disseminate data. The collection is either made from public sources (e.g. [MSCI](#) collects and standardises a wide range of publicly available raw data from both company-reported and alternative sources such as government agencies and NGOs), and/or through questionnaires (e.g. [S&P Global](#) corporate sustainability assessment (CSA)). Where data cannot be sourced in that way, estimates proxies and sectoral data are used. Advanced technologies, particularly AI, enables providers to collect and analyse data with greater efficiency.

ESG ratings and data product providers also produce controversy reports and alerts including norms-based research and screening (typically: UN Global Compact, UN Guiding Principles, OECD Guidelines for Multinationals and ILO labour standards). Controversy reports or alerts are considered as a data point when creating an ESG rating or score. However, when sold as standalone products, they are likely to fall under the ESG rating definition in the UK and potentially the EU.

⁵ [Moody's ESG scores explained](#); [Fitch ESG Relevance Score](#); [S&P Global Ratings update on ESG credit indicators](#).

⁶ ESMA's 2019 [Guidelines](#) require credit rating agencies to provide greater transparency around whether ESG factors are a key driver of a credit rating action.

⁷ <https://www.erm.com/insights/rate-the-raters-2025-esg-ratings-in-evolution-corporate-survey-results/>.

⁸ Examples: [BNPP AM \(AXA IM\) ESG methodologies](#); <https://www.spglobal.com/market-intelligence/en/news-insights/research/raw-esg-data-powers-proprietary-esg-scoring-model>; Amundi [transition score methodology](#).

ESG Indices and other ESG products

Some of the large providers operate an index business, offering ESG-related indices either as part of a widely followed benchmark (e.g. MSCI World or S&P 500) or customised according to their clients' demands. Although there are nuances in the details of different providers' approaches, ESG indices roughly are created by evaluating companies based on their ESG performance using a set of criteria, then selecting companies that meet specific thresholds to be included in the index, often with weightings adjusted based on their ESG scores, while excluding companies that fall below certain standards or are involved in controversial activities.

Among ESG indices, many providers offer specific climate related indices. Most of these focus on portfolio-level decarbonisation impact such as Climate Transition Benchmarks (CTB) or Paris-aligned Benchmarks (PAB) which are regulated labels. Providers increasingly also offer standalone climate-focused products⁹ including for transition planning and the assessment of transition strategies.

⁹ For example, MSCI's [Net Zero Tracker](#), Sustainalytics' [Low Carbon Transition Ratings](#), ISS's [Net Zero](#) solutions, Bloomberg's [Transition Risk Assessment Company Tool \(TRACT\)](#), S&P Global's [Climate Transition Assessment \(CTA\)](#) and Moody's [Net Zero Assessment \(NZA\)](#).

II. Users and usages of ESG ratings and data products

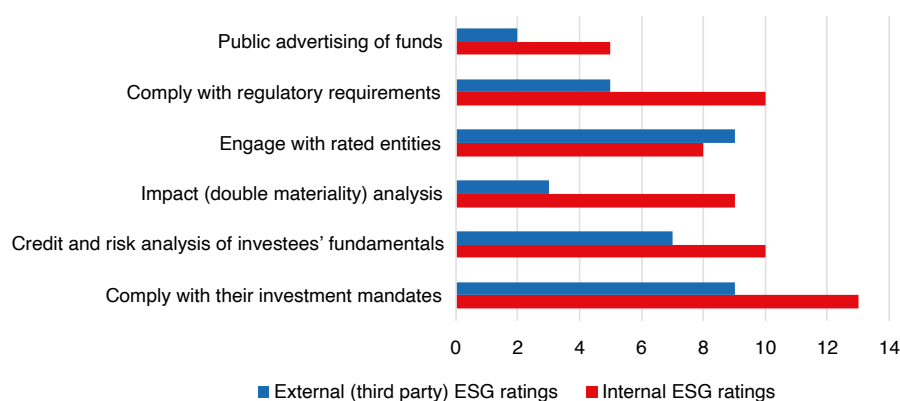
ESG ratings and data products have many uses for institutional investors covering financial and impact considerations, as well as for regulatory purposes. They have also been applied in the structuring of financial instruments in the sustainable bond and loan markets, as well as more tentatively in the development of other sustainable debt markets.

Institutional investors and asset managers

The primary users of ESG ratings and data products are institutional investors including asset owners (such as pension funds, insurers, sovereign wealth funds and endowments), asset managers and banks. These products are widely used by investors to assess the financial materiality of ESG risks to their balance sheet (known as “single” materiality) arising from their investments, as well as to the overall impact of their activities on the environment and wider society where both financial risk and impact materiality are present (this is referred to as “double” materiality). More specifically, we have identified the following key use cases of ESG ratings by institutional investors¹⁰:

- (i) to comply with investment mandates;
- (ii) to engage with rated entities;
- (iii) for credit and risk analysis of investees’ fundamentals;
- (iv) to comply with regulatory requirements;
- (v) to perform impact analysis; and
- (vi) to publicly advertise funds¹¹.

Purposes of ESG Ratings



The respondents of our survey confirmed that they use both external and internal ESG ratings and scores, but their responses show differences in their use cases. As shown in the chart above, external ratings are employed by the majority primarily to comply with investment mandates and for engagement purposes, while half of all respondents consider them relevant for credit and risk analysis. Importantly, internal ratings and scores are used by an even larger majority for these purposes, but they prove to be more specifically relevant for compliance with regulatory requirements and for assessing double materiality.

¹⁰ The FCA in their [survey](#) conducted in Q4 2024 also found that internal ratings are mostly being used for investment management.

¹¹ If used for marketing purposes “internal” ratings should be understood as “self-generated” ratings.

The emphasis on regulatory reporting is understandable especially in the European market context (see next section). ESG ratings and data play an important role for investors aiming to qualify investments in their portfolio as “sustainable investments” to be included in Article 8 or 9 funds under the EU’s [Sustainable Finance Disclosure Regulation](#) (SFDR).¹² These fund categorisations originally intended for regulatory disclosure purposes have been heavily used as a marketing tool by the asset management industry.¹³ Investors also rely on controversy reports and alerts when it comes to determining regulatory Principle Adverse Impact (PAI) Indicators under SFDR which involve exclusions, for example, for companies that violate the UN Global Compact.

Other cases where ESG products are being used for regulatory compliance include the ESMA fund naming rules¹⁴ and similar requirements from national regulators such as the Autorité des Marchés Financiers (AMF) doctrine in France. Further examples are regulations like [UCITS](#) (DR 2021/1270) and [AIFMD](#) (DR 2021/1255) which require that sustainability risks and sustainability factors be taken into account. Prudential regulations by the Prudential Regulation Authority (PRA)¹⁵ and the European Banking Authority (EBA)¹⁶ for credit institutions and investment firms also require sustainability risk integration.

Investors have a fiduciary duty to comply with the mandates given to them by clients. Our survey shows that they prefer to use their own internal risk scores to assess and reduce portfolio exposure to material financial risks due to climate change. Many asset owners and asset managers have the obligation to consider climate transition and sustainable impact, i.e. double materiality, as part of their mandates. As mentioned above, our survey indicates a strong preference by our respondents for using internal methodologies for these purposes.

Debt capital and loan markets

ESG ratings have been used in structuring sustainable bond instruments and loans but have limited recognition in market best practice. According to the [Sustainability-Linked Bond Principles](#) (SLBP) published by ICMA “KPIs should be material to the corporate issuer’s core sustainability and business strategy and address relevant environmental, social and/or governance challenges of the industry sector and be under management’s control”. ESG ratings are, however, not something that a company can control and therefore the SLBP does not mention ESG ratings as a KPI category. ICMA’s [KPI registry](#) equally does not list ESG ratings among its illustrative examples.¹⁷

Nevertheless, ESG ratings or scores are sometimes used as KPIs in sustainability-linked bonds.¹⁸ Typically, this takes the form of the issuer linking a KPI to its ESG rating with one or two ESG rating providers. Geographically, using an ESG rating or score seems especially popular in Japan¹⁹ where we found 16 SLBs using the CDP climate change score as a target. No company, however, is using the CDP score as a sole KPI but rather in addition to core KPIs around CO2 emissions reduction targets.

When the Sustainability-Linked Loan Principles (SLLP) were first published in 2019²⁰ for the benefit of loan market participants, the list of common categories of sustainability performance targets (SPTs) contained “Global ESG Assessment” which could be “Improvements in the borrower’s ESG rating and/or achievement of a recognised ESG certification”. In practice, borrowers would have the interest rate on their loan pegged to their ESG rating or score with one or more providers: the better their ESG rating or score, the less interest they pay on the money they borrow. When the SLLP were updated in 2023, the LMA, however, removed the reference to ESG Ratings alongside all other categories, instead pointing practitioners to third-party resources such as the ICMA KPI registry.

¹² For example: <https://www.amundi.com/institutional/regulatory-documents>.

¹³ See ICMA’s 2025 publication [A time for change in the sustainable fund market](#).

¹⁴ <https://www.esma.europa.eu/document/guidelines-funds-names-using-esg-or-sustainability-related-terms>

¹⁵ <https://www.bankofengland.co.uk/prudential-regulation/publication/2025/december/enhancing-banks-and-insurers-approaches-to-managing-climate-related-risks-policy-statement>

¹⁶ https://www.eba.europa.eu/publications-and-media/publications?text=&document_type=250&media_topics=All

¹⁷ Furthermore, the Executive Committee of the Principles, added a dedicated question to the [Q&A Handbook](#) underlining the need “to explain why an ESG rating may be the best indicator to reflect their core business ESG challenges and disclose the kind of rating (solicited vs unsolicited)”.

¹⁸ According to LGX’ SLB study from Dec 2024, 5% of targets are linked to ESG ratings: <https://www.luxse.com/discover-lgx/market-intelligence-and-insights>.

¹⁹ https://greenfinanceportal.env.go.jp/en/bond/slb_issuance_data/slb_issuance_list.html.

²⁰ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/LMASustainabilityLinkedLoanPrinciples-270919.pdf>.

It is important to underline the role of ESG ratings for assessing the sustainability profile of counterparties in the emerging market for sustainable repo transactions and commercial paper. In its August 2024 [report](#), ICMA identified as a key conclusion that *“ESG ratings are emerging as a preferred approach for repos with sustainable counterparties, but there are concerns that these ratings often focus on the financial risks over the broader environmental or social impact”*. Another ICMA [report](#) from October 2024 found that some sustainability-linked commercial papers (CPs) are also mentioning ESG ratings or scores.

Finally, a study published in October 2025 found that municipal bonds with third-party ESG scores traded at higher prices, signalling cheaper borrowing costs for issuers.²¹

²¹ <https://knowledge.wharton.upenn.edu/article/why-esg-scores-are-moving-the-4-trillion-municipal-bond-market/>.

III. Early regulatory concerns and responses

The expanding role of ESG ratings and data products in investment processes and capital allocation decisions has drawn early and sustained attention from regulators and policy makers. This initially led to voluntary responses by market participants, notably with the support of ICMA, as well as the sponsorship and input of regulators in several key jurisdictions.

Regulatory concerns

The EU High-Level Expert Group on Sustainable Finance already [recognised](#) in 2018 the importance of sustainability rating agencies as information intermediaries and recommended minimum requirements to improve clarity and transparency. Similar concerns were subsequently raised by national authorities, above all by the French AMF and Dutch AFM, which called for European-level regulation with a particular focus on transparency and conflicts of interest.

These concerns were consolidated at the international level by IOSCO through its 2021 consultation and [final report](#) on ESG ratings and data products. IOSCO identified several recurring issues: insufficient clarity regarding the objectives and scope of ESG ratings and data products; limited transparency around methodologies, data sources and assumptions; uneven coverage across sectors and geographies; potential conflicts of interest, including where providers also offer consulting or advisory services; and challenges related to engagement and communication with rated entities. IOSCO noted that, taken together, these issues could undermine investor confidence and impair the effective functioning of markets.

IOSCO's final report set out ten recommendations addressed to regulators, ESG ratings and data product providers, users and rated entities. A central element of these recommendations was the encouragement of proportionate, market-led responses, including the development of voluntary codes of conduct. In 2022, IOSCO further elaborated its recommendations by publishing a set of [Good Practices for ESG ratings and data product providers](#) covering governance, quality, independence, transparency, confidentiality and engagement. These Good Practices have since become the common reference point for both voluntary initiatives and regulatory approaches and are summarised below.

GP1: Adopting and implementing written policies and procedures designed to help ensure the issuance of high quality ESG ratings and data products based on publicly disclosed data sources, where possible and other information sources where necessary, using transparent and defined methodologies.

GP2: Adopting and implementing written policies and procedures designed to help ensure that their decisions are independent, free from political or economic interference, and appropriately address potential conflicts of interest.

GP3: Identifying, avoiding, or appropriately managing, mitigating, and disclosing potential conflicts of interest.

GP4: Making adequate levels of public disclosure and transparency a priority for their ESG ratings and data products, including their methodologies and processes.

GP5: Adopting and implementing written policies and procedures designed to address and protect all non-public information received related to their ESG ratings and data products.

GP6: Improving information gathering processes with entities covered by their products.

GP7: Responding to and addressing issues flagged by entities covered by their ESG ratings and data products while maintaining the objectivity of these products.

Voluntary Codes of Conduct

Following IOSCO's recommendations, several jurisdictions introduced voluntary codes of conduct for ESG ratings and data product providers. Japan was the first to do so, with the Japanese Financial Services Agency (JFSA) publishing its [Code of Conduct for ESG Evaluation and Data Providers](#)²² in December 2022. Singapore followed in December 2023 with a [Code of Conduct](#) developed by the Monetary Authority of Singapore (MAS), which includes a structured attestation framework and the option of third-party assurance.

In parallel, the UK Financial Conduct Authority (FCA) opted for an internationally oriented approach by appointing ICMA and the International Regulatory Strategy Group (IRSG) to convene an industry-led working group. This resulted in the publication of the [ICMA Code of Conduct](#) in December 2023. The ICMA Code is designed to be globally applicable and interoperable and is closely aligned with IOSCO's recommendations and Good Practices. It sets out six principles—Good Governance, Securing Quality, Conflicts of Interest, Transparency, Confidentiality and Engagement—with the objective of improving the availability and quality of information for investors, enhancing market integrity and supporting competition through greater comparability.

The ICMA Code has subsequently served as the basis for other initiatives, including the [Hong Kong Code of Conduct](#) introduced in October 2024 under the sponsorship of the Hong Kong Securities and Futures Commission (HK SFC). Market uptake of these codes has been strong, with a growing number of providers endorsing them and publishing statements of application or self-attestation documents.²³

Otherwise, the Taiwan Depository & Clearing Corporation (TDCC) in December 2023 also published a draft Code of Conduct for Taiwan for ESG Ratings Providers.²⁴ Principles 1 to 6 are based on IOSCO's recommendations as well as JFSA's Code.

While voluntary codes have materially improved transparency and governance practices, feedback from market participants indicates that many investors continue to view them as complementary to, rather than a substitute for, formal regulation.

A 2024 survey by FTSE Russell²⁵ indicated that more than 50% of asset owners consider the ICMA Code of Conduct to be helpful. We are also seeing a good response from providers. Since its publication in December 2023, 42 providers have signed up to the Code with 23 of them so far having submitted a Statement of Application. Furthermore, we note that providers offering a wide range of products, including carbon credits, have signed up.

Most recently, to support providers wishing to demonstrate adherence to the ICMA Code, Hong Kong Code and the Singapore Code, the Monetary Authority of Singapore (MAS) has made available the Interoperable Mapping Reference (IMR) document which can be found on the ICMA website.²⁶

22 Second party opinions (external reviews) of sustainable bond frameworks aligned with ICMA's [Principles](#) are only explicitly in scope in the JFSA Code of Conduct.

23 The ICMA and HK Codes of Conduct only differ in the more prescriptive self-attestation document used for Hong Kong.

24 <https://www.tdcc.com.tw/portal/en/news/content/402897968a742eab018ac0e8a2280070>

25 <https://solutions.lseg.com/AssetOwnerSurvey2024>.

26 <https://www.icmagroup.org/sustainable-finance/icma-and-other-sustainable-finance-initiatives/>.

IV. Regulatory initiatives

While Codes of Conduct have been well received, regulatory initiatives have proceeded in parallel in key jurisdictions. Almost half of the respondents to our survey said that regulation was still needed in order to provide more transparency, while an equal amount felt that it was too early to take a definitive view, and a small percentage saying that voluntary Codes would be sufficient for both ESG ratings and data products.

European Union regulation

The European Union (EU) has adopted the most comprehensive regulatory framework for ESG ratings to date. In June 2023, the European Commission proposed a [Regulation on the transparency and integrity of ESG rating activities](#) (ESGR) as part of a broader sustainable finance package. The ESG ratings regulation was formally adopted in 2024, entered into force in January 2025 and will apply from July 2026. Through this regulation, the EU became the first jurisdiction to formally adopt the comprehensive legislation regulation ESG rating providers and introduce a binding authorisation and supervisory regime specifically for those providers.

The regulation defines ESG ratings broadly, capturing opinions, scores, or combinations thereof (where it is based on a ranking system), and introduces detailed transparency and governance requirements. These include mandatory disclosures on: methodologies, data sources and assumptions, disaggregation of ESG ratings into their environmental, social and governance components (i.e. disclosure of the weighting of the three overarching E, S and G categories of factors and explanation of the weighting method, including weight per individual E, S and G category); and of whether a rating addresses financial materiality, impact (double materiality), or both. Providers are also required to disclose the use of artificial intelligence (AI) in data collection or rating processes and to make specified information available via the [European Single Access Point \(ESAP\)](#).

Supervision is centralised at the European Securities and Markets Authority (ESMA). EU-based providers must seek authorisation, while non-EU providers must rely on endorsement, recognition or equivalence mechanisms to operate in the EU market. The regulation explicitly does not seek to harmonise methodologies but instead aims to enable users of ESG ratings to perform their own due diligence and to improve confidence in ESG-related products.

Finally, regulation may also have unintended consequences. Costs of regulation in the EU (e.g. requirement of a local office) have led some providers to reconsider their geographic coverage. Regulatory requirements in India had also led certain providers to cease their activities in that market.

As mentioned in the previous section, EU regulation, specifically the Sustainable Finance Disclosure Regulation (SFDR), despite not explicitly mentioning ESG ratings, has also had an important impact to date on the use of ESG ratings and data which can serve as key criteria for qualifying “sustainable investments” for Article 8 or 9 funds. However, following the legislative proposal for a revision of SFDR (“SFDR 2.0”) in November 2025²⁷, the role that ESG ratings play in qualifying a disclosure, or newly, a fund category, will change. More concretely, with the proposed introduction of three fund categories (“Sustainable”, “Transition” and “ESG Basics”) and the Article 2.17 definition of “sustainable investment” being deleted or even no longer needed as each product category now includes much more prescriptive requirements around permitted and excluded investments, ESG ratings would no longer be sufficient on their own to qualify an investment as “sustainable”.

This is especially true for the “Sustainable” and “Transition” categories where the emphasis shifts towards additional objective, measurable criteria such as investments aligned with the EU Taxonomy and referencing EU Climate Benchmarks. Nevertheless, a role for ESG ratings remains for the “ESG Basics” category as the new Article 8.2 (a) requires that its products can be met by demonstrating that they contain “*an ESG rating as defined by Regulation 2024/3005 that outperforms²⁸ the average rating of the investment universe or the reference benchmark*”.

²⁷ https://finance.ec.europa.eu/publications/commission-simplifies-transparency-rules-sustainable-financial-products_en.

²⁸ ESG ratings here as a sustainability factor going beyond risk seems to speak about double materiality.

United Kingdom approach

In the United Kingdom, the government has confirmed its intention to bring ESG rating providers into the regulatory perimeter, while emphasising proportionality and the need to avoid unnecessary barriers to entry or innovation. This intention was first signalled in the government's 2021 policy paper "[Greening Finance: A Roadmap to Sustainable Investing](#)". Following a [public consultation](#) by HM Treasury in 2023, draft legislation was published in November 2024, the "Statutory Instrument" or SI, and in October 2025, the government laid the requisite secondary legislation before Parliament²⁹.

In December 2025, the Financial Conduct Authority launched a [consultation](#) on its proposed approach to regulating ESG ratings, setting out how authorisation, supervision and ongoing requirements could be applied in practice. Under the proposed framework, ESG rating providers selling into the UK market would be required to obtain authorisation from, and be supervised by, the FCA. The draft legislation includes exclusions for internal and intra-group ratings that are not marketed to third parties.

While the UK regime is still under development, it is broadly aligned with IOSCO's principles and international developments. While a formal regulatory regime for ESG ratings is being introduced, the FCA has already explicitly encouraged ESG data product providers to continue using the ICMA Code of Conduct.

Other jurisdictions

India was the first jurisdiction to introduce binding rules affecting ESG ratings, through amendments³⁰ to the regulatory framework for credit rating agencies overseen by the Securities and Exchange Board of India (SEBI) and then also published in a master circular³¹ in July 2023. In parts SEBI's rules seem to go beyond IOSCO's recommendations, by, for example, mandating providers to "*ensure that the ESG rating suitably incorporates the environmental, social and governance aspects that are contextual to the Indian market, in such manner as may be specified by the Board from time to time*" (page 30, 28L.c), which led several global providers to withdraw from the Indian market or to restructure their offerings. The Indian experience illustrates the sensitivity of the ESG ratings market to regulatory design and the potential impact of prescriptive requirements on market participation and coverage.

Other jurisdictions, including Japan, Singapore, Hong Kong and Taiwan, have to date relied primarily on voluntary codes of conduct aligned with IOSCO's recommendations, while continuing to monitor market developments and the potential need for further regulatory intervention.

Current outlook

Across jurisdictions, there is a clear trend towards increased oversight of ESG ratings, with transparency, governance and conflict management forming the core objectives. While regulatory approaches differ in scope and implementation, there is broad convergence around IOSCO's recommendations and Good Practices. We provide below an overview of how the voluntary codes of conduct, the EU regulation and the UK regulation (based on the draft SI and the FCA's proposed approach) compare on some key considerations and whether disclosure is explicitly included, excluded or not mentioned.

29 <https://statutoryinstruments.parliament.uk/instrument/VUusUDiJ>

30 https://www.sebi.gov.in/legal/regulations/jul-2023/securities-and-exchange-board-of-india-credit-rating-agencies-amendment-regulations-2023_73451.html.

31 <https://www.sebi.gov.in/legal/master-circulars/jul-2023/master-circular-for-esg-rating-providers-eps-73856.html>.

	IOSCO Recommendations	Japan (JFSA) Code of Conduct	Singapore (MAS) Code of Conduct	ICMA Code and Hong Kong Code (HK SFC)	EU Regulation	UK legislation and proposed approach to ESG Ratings Regulation (FCA)
Controversies	Not mentioned.	Not mentioned.	Not mentioned.	Optional as voluntary Code.	Not mentioned (likely to be captured by ESG ratings definition like in the UK).	Captured by ESG ratings definition.
Second Party Opinions (SPOs)	Not mentioned.	Included.	Not mentioned.	Optional as voluntary Code.	Excluded unless contain ESG ratings.	Not explicitly mentioned or excluded but maybe be capture by ESG ratings definition.
Raw data	Not mentioned.	Included.	Excluded.	Not mentioned but encourages AMs to perform their own due diligence.	Data is not in scope.	Data is not in scope.
Estimates/ estimations	Included in Rec. 7.	Included.	Included.	Included.	Included in disclosure requirements.	Included in disclosure requirement.
Forward-looking statements	Not mentioned.	Not mentioned.	Included.	Included.	Included in disclosure requirements.	Included in disclosure requirement.
Alignment or compliance	No specific format recommended.	Statement of Endorsement (no specific format).	Attestation Document with optional third-party audit.	Statement of Application (no specific format) and Self-attestation Document, respectively.	EU-based providers must apply to ESMA for authorisation to continue operating. Non-EU providers will need their ratings endorsed by an authorised EU provider or seek recognition/ equivalence. All ESG ratings providers will be supervised by ESMA.	ESG rating providers that want to sell into the UK market will need to be authorised and supervised by the FCA.

V. Points for reflection

Looking forward there are several points for reflection on issues that may shape the future evolution of the ESG ratings and data products space. These include the interaction between regulation and voluntary codes of conduct, the treatment of ESG data products and internally produced ESG ratings, the implications of standardised corporate sustainability disclosures and the arguments for and against potential convergence of ESG ratings and rating scales.

Implementing codes of conduct alongside regulation

Since the concerns articulated by IOSCO in its 2021 Final Report, ESG ratings and data product providers have significantly increased the transparency of their methodologies and internal processes. This is evidenced by the level of information now made publicly available through providers' websites and through application statements and attestation documents published under voluntary codes of conduct, including the ICMA Code of Conduct. Nevertheless, publicly available disclosures on ESG ratings remain less detailed than the information provided to paying clients. In the regulatory space, the EU's ESGR appears to recognise this distinction by differentiating between disclosures to the public and disclosures to subscribers.

Against this backdrop, it remains an open question how much additional transparency regulation can deliver over voluntary codes of conduct. What is already clear is that neither regulatory frameworks nor voluntary codes require the public disclosure of intellectual property or commercially sensitive information. Both the EU and the UK have explicitly emphasised the need to balance transparency with the protection of innovation and competition. At the same time, certain process-related requirements under the EU framework and proposed by ESMA, such as details regarding ESG analysts employed by the ESG rating providers, have raised questions regarding their practical benefits. In addition, as ESG ratings are often produced on an unsolicited basis, enhanced communication between providers and rated entities, including timely correction of erroneous data, remains a key area for further improvement.³²

Finally, regulation may give rise to unintended consequences. In the EU, the costs and structural requirements associated with the ESGR, including the need for a local presence, have led some providers to reconsider their geographic coverage. Similar effects have been observed in India, where regulatory changes prompted certain providers to withdraw from the market. While it is too early to draw firm conclusions on the effectiveness of voluntary codes of conduct, they are likely to continue to play an important role alongside regulation, particularly for ESG data products and during transitional periods before regulatory regimes are fully implemented.³³

Regulatory treatment of ESG data products, internal ratings and scores

A continuing challenge for both voluntary codes of conduct and regulatory regimes lies in the interpretation of definitions relating to ESG ratings, scores and data. In practice, providers often face uncertainty when determining whether a particular product or service should be classified as a rating, a score or data, and at what point it falls within scope. These difficulties are particularly pronounced in relation to ESG data products, which led the ICMA Code of Conduct to allow ESG data product providers a longer implementation period than ESG ratings providers.

Both the EU and the proposed UK regulatory frameworks currently focus on ESG ratings, while continuing to assess whether further regulatory intervention in relation to the provision of ESG data is necessary. In the interim, ESG data products from third-party providers are expected to remain primarily subject to voluntary codes of conduct, which can usefully complement regulatory regimes as emphasised by the UK FCA³⁴. Nonetheless, the EU ESGR introduces amendments to SFDR where financial undertakings develop and disclose their own ESG ratings, to ensure that they disclose the same information as specialised ESG rating providers the European Commission under SFDR 2.0 is

³² Offers currently range from dedicated email addresses to more elaborate procedures of engagement (e.g. [MSCI](#)).

³³ Readers might also want to look at cost benefit analyses conducted by the FCA in [QP25/34](#) and ESMA in its [Final Report](#).

³⁴ <https://www.fca.org.uk/news/news-stories/fca-welcomes-launch-industry-code-conduct-esg-ratings-and-data-products-providers>.

proposing disclosure requirements on ESG data that would apply to financial market participants³⁵ while the EU ESGR incorporates a review clause under which the European Commission shall publish a report about “whether providers of data products on environmental, social and human rights, and governance factors should be included in the scope of Regulation”. This is expected to be part of the ESGR evaluation by 2 January 2029.

The EU ESG Regulation states that ESG ratings issued by regulated financial undertakings³⁶ in the Union that are used exclusively for internal purposes or for providing in-house or intragroup financial services or products are out of scope and planned UK regulation is expected to mirror this³⁷. However, the FCA aims to assess whether regulation may be required in some cases³⁸, and the European Commission has proposed amendments in SFDR 2.0³⁹ to ensure that financial undertakings developing and disclosing their own ESG ratings provide the same information as specialised ESG rating providers.

The impact of standardised corporate sustainability disclosures

Any consideration of extending regulatory oversight to ESG data must take into account developments in corporate sustainability reporting. The introduction of the [European Sustainability Reporting Standards](#) (ESRS) and the standards issued by the [International Sustainability Standards Board](#) (ISSB) are intended to improve the quality, consistency and comparability of sustainability disclosures. In principle, these developments should facilitate the sourcing and processing of data by ESG data providers. Public data infrastructures, such as the [European Single Access Point](#) (ESAP) and the [Net-Zero Public Data Utility](#) for greenhouse gas emissions data, are expected to further enhance data availability by providing centralised access to machine-readable information.

However, recent policy developments have complicated this outlook. In the EU, initiatives aimed at simplifying reporting requirements under the [Corporate Sustainability Reporting Directive](#) (CSRD), the [Corporate Sustainability Due Diligence Directive](#) (CSDDD) and the Taxonomy Regulation will affect the scope and availability of sustainability data.⁴⁰ Internationally, while the adoption of ISSB standards is increasing, jurisdictions retain discretion over implementation choices, which may limit global comparability. As a result, rather than reducing information asymmetries, the current environment may increase market participants’ reliance on ESG ratings and data product providers as part of their investment processes.

Divergence or convergence of ESG ratings

ESG ratings are arguably more complex than credit ratings and have not demonstrated a similar convergence due to different methodologies and/or rating and scoring scales. Moreover, whereas credit ratings can be validated by future default events (credit rating agencies regularly issue reports), ESG ratings are less verifiable. Some investors view the diversity in ESG ratings as beneficial, arguing that a variety of approaches encourage deeper analysis on their part and make ESG ratings complementary rather than interchangeable. Others contend that greater convergence, particularly in rating scales, would enhance usability and help address concerns relating to transparency and market integrity.

It is also argued that divergence between ESG ratings reflects the fact that they are designed to measure different aspects of ESG performance and therefore rely on distinct methodologies. From this perspective, divergence is intentional and benefits investors by providing a range of tools aligned with different investment objectives. Investors typically use ESG ratings from multiple providers not because of deficiencies in comparability or interpretability, but because these ratings are constructed to support different use cases. Furthermore, using different providers means less dependence on a single provider and therefore less disruption risk if a provider discontinues certain ESG products.

³⁵ Financial market participants (FMPs) such as asset managers and pension providers are currently subject to disclosure requirements on data sources and on “methodologies” (SFDR Art.10). The proposed revised SFDR contains a new Article 12a setting out principles for FMPs on the use of data and estimates for the purposes of this Regulation and requires formalised and documented methodologies, to be provided to investors upon request on relevant data sources, methodologies and assumptions underpinning the estimates they make.

³⁶ Including asset managers, pension providers, credit institutions, insurance undertakings, financial advisors and others.

³⁷ The UK draft statutory instrument excludes internal and intra-group ratings where they are not expected to be made available to third parties.

³⁸ The proposed FCA approach says that asset managers using internal ratings as part of activities for which they are already regulated are generally excluded, but that activities resembling the provision of standalone ESG ratings would fall within scope.

³⁹ The EU ESGR introduces amendments to the SFDR where financial undertakings develop and disclose their own ESG ratings, to ensure that they disclose the same information as specialised ESG rating providers (recital 22 and Art. 2 – 2.c of the ESGR). This has been reflected in Art. 13 (5) of the proposed SFDR 2.0 which requires financial market participants that issue and disclose to third parties ESG ratings as defined in Art. 3 (1) of ESGR to follow the minimum disclosure requirements listed in Annex III (1) of ESGR.

⁴⁰ https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L_202600470

Market feedback from our survey illustrates nonetheless a potential shift in support of methodological convergence with over half of our respondents supporting this view in general and a majority of those saying this was true especially if rating scales were also more comparable. Whether increased transparency resulting from voluntary codes of conduct and regulatory requirements will ultimately lead to greater standardisation of ESG ratings through more unified methodologies and assessment scales remains uncertain and represents a key open issue for the future development of the ESG ratings market.

Conclusion

ESG ratings and data products play an important role in sustainable finance and the broader markets. Their growing relevance to capital allocation decisions, regulatory compliance and product structuring has prompted increased scrutiny from regulators and policymakers, as well as calls from market participants for greater transparency and clarity.

The analysis in this paper shows that significant progress has been made since early regulatory concerns were first articulated. IOSCO's recommendations have provided a coherent international framework, supporting both voluntary and regulatory responses. Voluntary codes of conduct like the ICMA Code, aligned with IOSCO's recommendations and Good Practices, have led to tangible improvements in key areas such as transparency, governance, and conflict of interest disclosure and mitigation. At the same time, binding regulation—most notably in the EU—is reshaping the market by introducing formal authorisation, supervision and disclosure requirements.

Several issues remain open. The boundary between ESG ratings, scores and data products continues to be difficult to define in practice, particularly as providers expand their product offerings and investors develop proprietary methodologies.⁴¹ Differences in regulatory scope across jurisdictions risk creating complexity, while compliance costs may affect market coverage and competition. Recent regulatory developments in the EU scaling back the scope of standardised sustainability disclosures may, however, overall increase investors reliance on ESG ratings and data products.

Looking ahead, the coexistence of regulation and voluntary codes of conduct is likely to remain a defining feature of the ESG ratings and data products landscape. Voluntary initiatives can continue to play a valuable role, particularly for ESG data products and in jurisdictions where regulation is still evolving, while regulation can provide a baseline level of oversight and investor protection. Whether increased transparency will ultimately lead to greater convergence of ESG ratings and more comparable rating scales remains an open question.

⁴¹ See Annex III for regulatory definitions

Annex I: ICMA Survey

To provide insights on key topics in this paper from asset owners and managers, ICMA conducted a survey in October 2025 with buy-side members, receiving 14 responses in total: 13 from some of the largest global asset managers and one from an asset owner, which together represent USD28 trillion assets under management.

2. Are you using any of the following? *

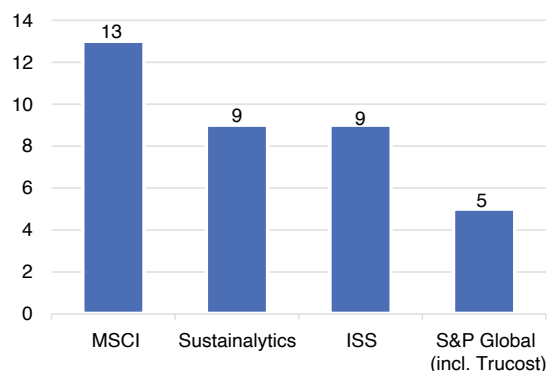
- Third party ESG ratings
- Third party ESG scores
- Third party ESG data
- None of the above

3. Please specify the provider(s) you are using for the products selected above.

Q2 and Q3: All respondents said they were using ESG data and almost all (11) use third-party ESG ratings and scores. ESG ratings and scores are primarily used to comply with investment mandates (8) and to engage with rated entities (8). This is closely followed by use for credit and risk analysis of investees' fundamentals (6). Other uses are compliance with regulatory requirements (4), impact analysis (3) and public advertising of funds (2).

MSCI was the most used provider (13), followed by Sustainalytics (9) and ISS (9) and S&P Global including Trucost (5). In total, respondents reported using 29 different providers, with an average of about 6 subscriptions per organisation.

Providers used most often for ESG ratings, scores and/or data



4. Are you creating your own internal? *

- ESG ratings
- ESG scores
- Both ESG ratings and scores (please explain the difference in question 5)
- Neither

5. If you are producing both ESG ratings and ESG scores, please explain the difference

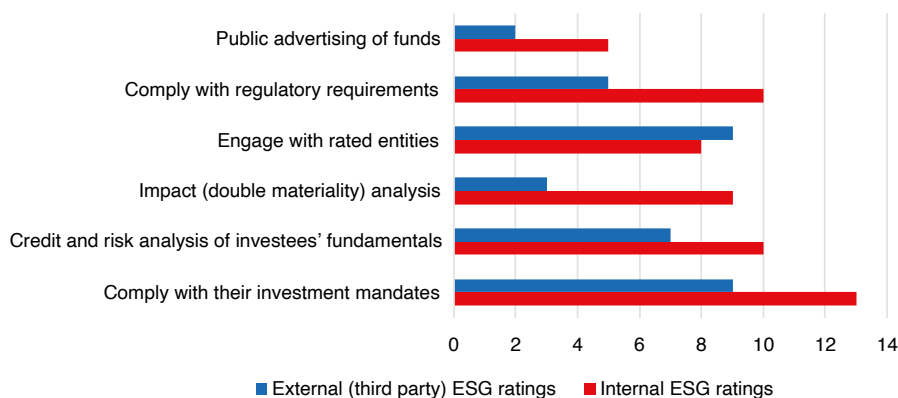
Q4 and Q5: Our survey found that most investors create their own internal ESG scores (11) and some of them (10) also create their own ESG ratings. Two said that they only create ESG ratings and another one told us that they neither create their own ESG scores nor ratings.

7. What do you use **internal** ESG ratings for? (Select all that apply) * 8. What do you use **third-party** ESG ratings for? (Select all that apply) *

<input type="checkbox"/> Compliance with investment mandates <input type="checkbox"/> Credit and risk analysis of investees' fundamentals <input type="checkbox"/> Impact (double materiality) analysis <input type="checkbox"/> Engagement with rated entities <input type="checkbox"/> Compliance with regulatory requirements <input type="checkbox"/> Public advertising of funds <input type="checkbox"/> We do not use internal ESG ratings <input type="checkbox"/> Other	<input type="checkbox"/> Compliance with investment mandates <input type="checkbox"/> Credit and risk analysis of investees' fundamentals <input type="checkbox"/> Impact (double materiality) analysis <input type="checkbox"/> Engagement with rated entities <input type="checkbox"/> Compliance with regulatory requirements <input type="checkbox"/> Public advertising of funds <input type="checkbox"/> We do not use third-party ESG ratings <input type="checkbox"/> Other
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Q7 and Q8: When being asked what internal and external ESG ratings and scores are being used for, we found that all respondents use internal ratings and scores (14) to comply with their investment mandates whereas only eight use external ratings and scores for that purpose: credit and risk analysis of investees' fundamentals (10 vs 6), compliance with regulatory requirements (9 vs 4), impact analysis (8 vs 3), engagement with rated entities (7 vs 8) and to advertise funds (4 vs 2). This indicates that the ESG ratings and scores that asset managers and owners create themselves are being used more across various topics, with third-party products seemingly being more important for engagement with rated entities.

Purposes of ESG Ratings



6. If you are producing internal ESG ratings/scores, where do you get the data from for that? *

 Data feed from third party provider(s)
 We collect data from open sources (e.g. websites, annual reports)
 Other

Q6: In our survey almost all (13) respondents told us that the data they are using for their internally created ESG ratings and scores is coming from third-party providers (one respondent declined an answer). Some (8) additionally look for data on open sources such as websites and annual reports.

Internal ratings are not always just created based on ESG data, they often also rely on ESG ratings and scores provided by third parties but are complemented by an asset manager's own analysis and information.

9. Do you think ESG ratings should also be addressing impact (i.e. double materiality)? *

Yes

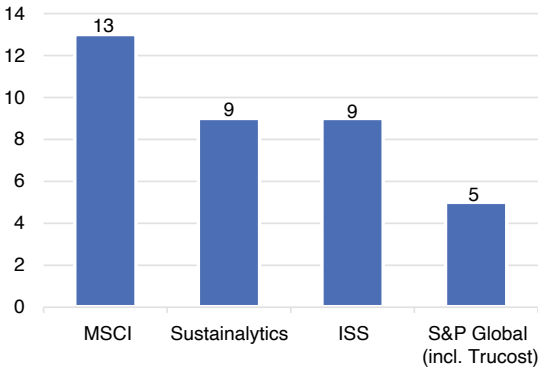
Yes, but with separate ESG risk and ESG impact ratings

No, the fact that ESG ratings typically focus on risk is sufficient

10. Please explain the reason for your answer to question 9 *

Q9 and Q10: Looking at double materiality in our survey, almost all respondents (12) thought that ESG ratings should assess impact (double materiality) and only two told us that ESG ratings focusing on risk was sufficient. Respondents were clear though that risk and impact are very different things and a majority (8) would not combine the two in one rating or where ESG ratings assess both, said there should be transparency. Having more granularity on ESG ratings thus allowing investors to better understand the part related to each would, for example, be helpful in tailoring the information to investment processes depending on the objectives of clients (risk, impact or both).

Should ESG ratings address double materiality?



11. Do you think ESG ratings should disaggregate into individual ratings for E, S and G? *

Yes

No, one aggregate ESG rating provides sufficient indication

Q11: Almost all (12) respondents said that ESG ratings should disaggregate into individual ratings for E, S and G, which is something that a lot of providers already do in addition to an aggregate rating. It is also a requirement under the EU ratings regulation. 2 thought that one aggregate ESG rating provides sufficient indication.

12. Do you think ESG Codes of Conduct will provide you with sufficient transparency? *

Yes, for both ESG ratings and data products

Yes, for ESG ratings only

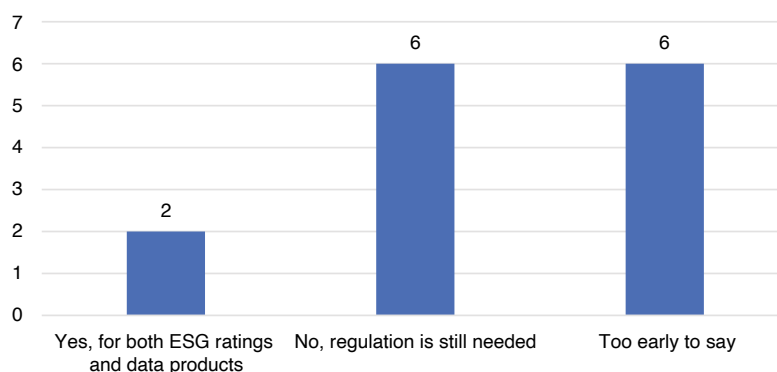
Yes, for data products only

No, regulation is still needed

Too early to say

Q12: 2 respondents think that ESG Codes of Conduct will provide them with sufficient transparency for both ESG ratings and data products; 6 think that regulation is still needed; for another 6 it was too early to say; nobody thought that ESG Codes of Conduct would provide sufficient transparency to either only ESG ratings or ESG data.

Do you think ESG Codes of Conduct provide sufficient transparency?

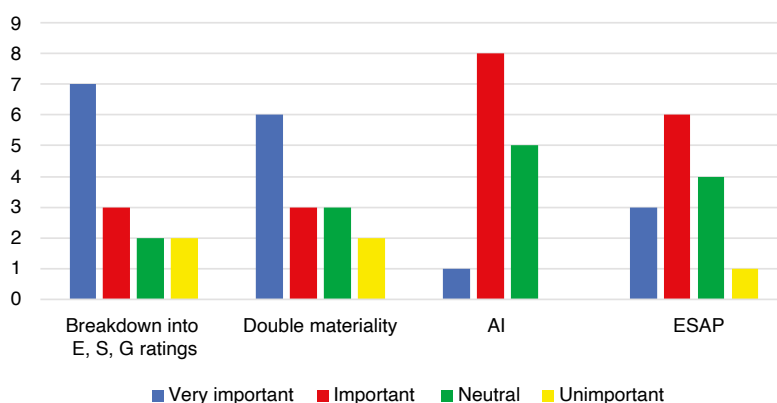


13. Looking at what the EU Regulation is proposing in terms of transparency, do you find the following elements helpful (please rate) and proportionate? *

	Very important	Important	Neutral	Unimportant	Not at all important
A breakdown of ESG ratings into separate E, S and G ratings	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Addressing the material impact of the rated entity on the environment and society (double materiality approach)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reference to the use of Artificial Intelligence (AI) in the data collection or rating/scoring process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Making information on ESG ratings and providers available on the European Single Access Point (ESAP)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q13: With respect to the EU Regulation provisions on transparency, 7 respondents view the proposed breakdown into E, S and G ratings as very important; 3 see it as important, 2 see it as unimportant, and 2 remained neutral. 6 viewed double materiality as very important, 3 see it as important, 2 think it is not at all important, and 3 remained neutral. 1 respondent viewed the reference to AI as very important, 8 thought it is important, and 5 were neutral. 3 respondents viewed making data available via the ESAP as very important, 6 think it is important, 1 considers it unimportant, and 4 were neutral.

EU ESGR provisions on transparency

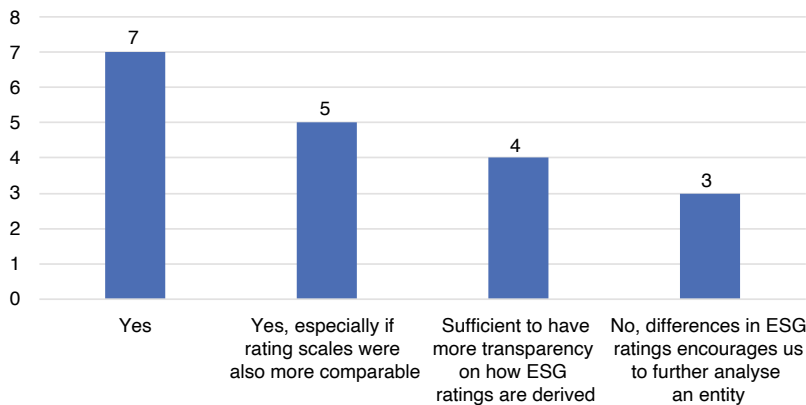


14. Would you find it helpful, if as in the credit ratings space, ESG rating methodologies would further converge as well? *

- Yes
- Yes, especially if rating scales were also more comparable
- It is sufficient to have more transparency on how ESG ratings are derived
- No, differences in ESG ratings encourage us to further analyse an entity

Q14: 7 respondents would find it helpful if methodologies converged (out of these 5 would consider it especially helpful if rating scales were also more comparable); 4 think It is sufficient to have more transparency on how ESG ratings are derived; 3 said no as differences in ESG ratings encouraged them to further analyse an entity.

Convergence of ESG ratings



15. Has the controversy about the acronym ESG had any impact on your use of ESG ratings, scores and data? *

- Yes, we pay less attention to the impact of ESG on investee companies
- Yes, we still pay attention to ESG ratings, scores and data but do not publicly market that anymore
- No, our clients still expect us to include an ESG analysis
- Other

Q15: 11 respondents said that the controversy about the ESG acronym has not had any impact and that their clients still expect them to include ESG analysis; 1 remarked that the term 'ESG' as a headline term is often perceived as ambiguous and imprecise as it pairs disparate factors together.

Annex II: ESG ratings and scores methodologies

	Bloomberg	ISS Sustainability Solutions	LSEG	Morningstar Sustainability	MSCI Solutions	S&P Global Sustainable1	Sustainable Fitch ⁴²
Product name	ESG scores.	ESG Corporate Rating.	ESG scores.	ESG Risk Ratings.	ESG Ratings.	ESG Scores.	Sustainable Fitch Ratings and Scores.
Rating score system	Numeric rating scale: ESG Scores range from 0 to 10, with higher scores indicating better management of financially material ESG issues. Percentiles (0–100) are also calculated to allow for comparisons across ESG peer groups.	Letter and numeric rating scale: 12-point scale, ranging from A+ (4.00) to D- (1.00), assessing the environmental, social, and governance (ESG) performance of corporate issuers.	Numeric and letter rating scale: ESG scores are percentile rankings on a scale from 0 to 100, with higher scores indicating better ESG performance. Scores are also available in letter grades from D- to A+.	Numeric rating scale: the ESG Risk Ratings provide a quantitative score representing the level of unmanaged ESG risk, starting from 0 (no risk) and typically a maximum score below 50 for 95% of companies.	Letter rating scale: seven-band scale ranging from AAA (highest) to CCC (lowest).	Numeric rating scale: 0-100, where 100 represents the maximum score.	Numeric rating scale ranging from 1 (best) to 5 (worst) and granular numeric score scale ranging from 100 (best) to 0 (worst). Rating levels track to scores, for example: Rating 1 tracks to Scores 100 – 87.5.
Companies assessed	Over 12,500.	Over 12,500.	~16,000.	Over 18,000.	Over 8,500.	Over 13,000.	Around 850 issuers operating in the labelled bond markets; around 1,700 leverage finance market companies; around 4,000 labelled bonds.
Rating/score basis	Scores are based on industry specific criteria and scored relative to peer group. The governance pillar score, which is an absolute measure.	The ESG Corporate Rating applies an absolute performance assessment and scoring approach. Relative decile rank information is provided as supplementary information and output.	Scores are benchmarked against the LSEG TRBC classification (see industry classification below) industry peers for environmental and social categories and against country of incorporation peers for governance categories.	ESG Risk Ratings are based on an absolute scoring system that measures a company's unmanaged ESG risks, enabling comparability across industries and subindustries.	Ratings are primarily based on peer group comparisons, the exception is the governance pillar score, which is an absolute measure.	Companies are benchmarked against their industry peers.	Ratings and Scores are based on absolute scoring systems which measure the environmental and social impact of an issuer's business activities and its labelled debt instruments. Issuers' governance profiles are also assessed.

⁴² Also includes sustainable bond ratings.

	Bloomberg	ISS Sustainability Solutions	LSEG	Morningstar Sustainalytics	MSCI Solutions	S&P Global Sustainable1	Sustainable Fitch ⁴²
Data sources	Publicly available, company-reported ESG data. ESG scores do not incorporate analyst opinions in the assignment or adjustment of scores. Data sources include company filings such as annual reports, 10-Ks, integrated reports, corporate responsibility reports, disclosure against ESG reporting frameworks and standards such as SASB index tables, proxy voting and other corporate governance documents, and other ESG releases.	Public company disclosures and public third-party sources, such as sustainability reports, company websites, annual filings, media, public authority and stakeholder sources. Companies can submit non-material non-public information as complementary input.	Public data (e.g. annual reports, sustainability reports, company websites, stock exchange filings, NGO websites) and global news/media.	Public data (including third-party data).	Company financial and sustainability disclosures, specialised government and academic data sets, media searches, etc.	Data sources include company disclosures, media and stakeholder analysis, and in-depth company engagement via the Corporate Sustainability Assessment (CSA). For non-responding companies, scores are based on publicly available information.	Publicly available financial and non-financial documents, sustainability reports, labelled bond allocation, impact and performance reports, sustainability strategy and policy documents, etc. Information obtained directly from issuers is also used.
Nature of data	Both quantitative and qualitative.	Both quantitative (~25%) and qualitative (~75%).	Both quantitative and qualitative.	Both quantitative and qualitative.	Both quantitative and qualitative.	Both quantitative and qualitative.	Both quantitative and qualitative.
Rating focus	Assessing companies' ability to manage financially material ESG risks and opportunities specific to industries and individual companies.	Focuses on assessing companies' ability to manage material ESG risks and opportunities, considering both financial materiality and broader social/environmental impacts.	Measure a company's relative ESG performance, commitment and effectiveness, based on company-reported data (with controversies overlay for ESG controversies Score (ESGC)).	Focuses on assessing unmanaged ESG risks that could impact a company's economic value, considering the extent of ESG risks the company faces and how effectively a company mitigates these risks.	Focuses on financially material ESG risks and opportunities specific to industries and individual companies. Evaluates companies' management systems, governance structures, and their ability to address industry-specific ESG risks.	Focuses on measuring a company's performance on and management of material ESG risks, opportunities, and impacts compared to industry peers.	Entity Ratings and Scores assess an issuer's environmental and social impact and evaluate its corporate governance structures. UoP Framework Ratings and Scores assess the environmental and social impact of a bond's allocations. SLB Framework Ratings and Scores assess the ambition and materiality of KPIs and achievement of SPTs.

	Bloomberg	ISS Sustainability Solutions	LSEG	Morningstar Sustainability	MSCI Solutions	S&P Global Sustainable1	Sustainable Fitch ⁴²
Number of indicators assessed	Around 100 input indicators per peer group on average, covering over 30 issues and multiple sub-issues organised hierarchically.	About 100 indicators per company, chosen from a pool of approximately 700 indicators, which include both standard and industry-specific metrics.	The methodology includes more than 870 data points, ratios and analytics. Of the 870 metrics, 186 indicators are standardised and are directly comparable across industries.	The methodology assesses a combination of 22 material ESG issues at a granular level, tailored to each company's subindustry. The number of specific indicators varies depending on the materiality of issues for the company.	The framework assesses 33 Key Issues across 10 themes within the three pillars (E, S, and G).	Points are awarded at the question-level (on average 110 per company) based on assessment of underlying data points (up to 1,000 per company) according to pre-defined scoring frameworks that assess their availability, quality, relevance, and performance on ESG topics.	Entity Ratings: 67 indicators across five entity factors. UoP Framework Ratings and Scores: 7 UoP factors, 3 evaluation factors, 11 reporting factors. SLB Framework Ratings and Scores: 6 KPI factors, 4 SPT factors, 2 bond feature factors, 3 management of proceeds factors, 11 reporting and verification factors.
Industry classification standard	Bloomberg dedicated ESG Classification System (BECS).	Proprietary classification system.	The LSEG Business Classifications (TRBC-Industry Group).	Proprietary industry and subindustry classification system.	Global Industry Classification Standard (GICS).	Global Industry Classification Standard (GICS).	NACE and Internal standards (ICMA for bonds).
E, S and G weighting	Weights are industry-specific and depend on the materiality of ESG risks. The weighting derived based on ranked priorities.	Industry-specific.	E & S are industry specific; G weights remain the same across industries (G benchmarked to country).	Industry-specific.	Weights are industry-specific and depend on the materiality of ESG risks. Governance is floored at 33% of the total weight. Environmental and Social pillars vary but typically range from 5%-30% per issue within a pillar.	Industry-specific.	Entity Ratings: Strategy 10%, Business Activities 45%, Environmental 15%, Social 15%, Governance 15%. UoP Framework Ratings: UoP 40%, other UoP information 10%, evaluation & selection 15%, management of proceeds 15%, reporting 20%. SLB Framework Ratings: KPI 25%, SPT 25%, Instrument features 25%, reporting 15%, verification 15%.

	Bloomberg	ISS Sustainability Solutions	LSEG	Morningstar Sustainability	MSCI Solutions	S&P Global Sustainable1	Sustainable Fitch ⁴²
Selected sector weights	<p>Banks: 27% E, 46% S, 27% G</p> <p>Electric utilities: 46% E, 27% S, 27% G</p>	<p>Commercial Banks and Capital Markets: 50% E, 50% S & G other banks, e.g. Development Banks have other weight distributions.</p> <p>Electric utilities: 60% E, 40% S & G</p> <p>Differing top-level weights exist for business models in the industry that are associated with a distinct profile of ESG risks, opportunities, and impacts.</p>	<p>Banks: 14% E, 50% S, 36% G</p> <p>Electric utilities: 43% E, 32% S, 25% G</p>	Not disclosed.	<p>Banks: 13% E, 54% S, 33% G</p> <p>Electric utilities: 47% E, 17% S, 36% G</p>	<p>Banks: 16% E, 33% S, 51% G</p> <p>Electric utilities: 46% E, 32% S, 22% G</p>	Weights attached to Sustainable Fitch's Ratings and Scores are static and are not sector dependent. This allows for broader global comparability.
Example ratings/scores as of Jan/Feb 2026	<p>Goldman Sachs: 5.05 Percentile: 97.5</p> <p>Enel SpA: 6.41 Percentile: 99.2</p>	<p>Goldman Sachs: C-</p> <p>Enel SpA: B</p>	<p>Goldman Sachs: 84</p> <p>Enel SpA: 91</p>	<p>Goldman Sachs: 23.72</p> <p>Enel SpA: 17.4</p>	<p>Goldman Sachs: AA</p> <p>Enel SpA: AAA</p>	<p>Goldman Sachs: 44</p> <p>Enel SpA: 79</p>	<p>Goldman Sachs: Entity Rating: 3 / Score: 49</p> <p>Enel SpA: Entity Rating: 2 / Score: 64</p>

	Bloomberg	ISS Sustainability Solutions	LSEG	Morningstar Sustainability	MSCI Solutions	S&P Global Sustainable1	Sustainable Fitch ⁴²
Environment	Air quality, biodiversity & natural capital, climate exposure, energy management, environmental supply chain management, GHG emissions management, sustainable finance, sustainable product, waste management, water management.	<p>Environmental Management: environmental management system, energy management, climate change strategy, water risk and impact, environmental management in the supply chain.</p> <p>Environmental impact of products and services: SDG-based assessment of the environmental impact of the company's product portfolio, environmental impacts of the product portfolio, strategy shift towards a more environmentally beneficial product portfolio.</p> <p>Environmental aspects along the value chain biodiversity management, product lifecycle, material efficiency, substances of concern.</p> <p>Eco-efficiency carbon intensity, nitrogen oxide, sulfuroxide, particulate matter emission intensities, freshwater intensity.</p>	<p>Emission: Emissions, waste, biodiversity, environmental management systems.</p> <p>Innovation: Product innovation, green revenues, research and development, and capital expenditures.</p> <p>Resource use: Water, energy, sustainable packaging, environmental supply chain.</p>	Emissions effluents & waste, carbon-own operations, carbon products & services, land use & biodiversity, land use & biodiversity supply chain, raw material use, water use-own operations, water-use supply chain, E&S impact of products & services.	<p>Climate change: carbon emissions, climate change vulnerability, financing environmental impact, product carbon footprint.</p> <p>Natural capital: biodiversity & land use, raw material sourcing, water stress.</p> <p>Pollution & Waste: electronic waste, packaging material & waste, toxic emissions and waste.</p> <p>Environmental opportunities: opportunities in clean tech, opportunities in green building, opportunities in renewable energy.</p>	Biodiversity, climate strategy, decarbonisation strategy, energy, environmental policy & management, product stewardship, packaging, waste & pollutants, water, sustainable raw materials, sustainable forestry practices.	<p>Entity Ratings and Scores: Environmental themes around policies, disclosure, evolution, targets and supply chain, environmental risks and incident treatment.</p>

	Bloomberg	ISS Sustainability Solutions	LSEG	Morningstar Sustainability	MSCI Solutions	S&P Global Sustainable1	Sustainable Fitch ⁴²
Social	<p>Access & affordability, community rights & relations, customer welfare, data security & customer privacy, ethics & compliance, labour & employment practices, marketing & labelling, occupational health & safety management, operational risk management, product quality management, social supply chain management.</p>	<p>Staff equal opportunities and non-discrimination, freedom of association and the right to collective bargaining, health and safety, training and education, work-life balance.</p> <p>Suppliers supplier standard with regard to labour rights and working conditions, procedures to ensure compliance with the supplier standard on labour rights and working conditions, measures to enable key suppliers to safeguard labour rights and improve working conditions.</p> <p>Society human rights, community, relations with governments and influence on public policy, stakeholder dialogue.</p> <p>Social impact of products and services social impacts of the product portfolio, strategy shift towards a more socially beneficial product portfolio.</p> <p>Social aspects along the value chain product safety, data privacy and information security, responsible marketing.</p>	<p>Community Bribery and corruption, fair competition, business ethics, community involvement, lobbying.</p> <p>Human rights Human rights, human rights - supply chain, child labour, forced labour, freedom of association.</p> <p>Product responsibility Responsible marketing, product quality, data privacy.</p> <p>Workforce Diversity and inclusion, career development and training, working conditions, health and safety.</p>	<p>Access to basic services, business ethics, community relations, human rights, human rights - supply chain, human capital, occupational health & safety, E&S impact of products & services.</p>	<p>Human capital: health & safety, human capital development, labour management, supply chain labour standards.</p> <p>Product liability: chemical safety, consumer financial protection, privacy & data security, product safety & quality, responsible investment.</p> <p>Stakeholder opposition: community relations, controversial sourcing.</p> <p>Social opportunities: access to finance, access to health care, opportunities in nutrition & health.</p>	<p>Community relations, contribution to societal healthcare, customer relations, financial inclusion, human capital management, human rights, labour practices, occupational health & safety, health & nutrition, transportation safety, privacy protection.</p>	<p>Entity Ratings and Scores: Social themes around human rights, labour rights, diversity, community and customers, target and supply chain, social risks and incident treatment.</p>

	Bloomberg	ISS Sustainability Solutions	LSEG	Morningstar Sustainability	MSCI Solutions	S&P Global Sustainable1	Sustainable Fitch ⁴²
Governance	Board composition, executive compensation, shareholder rights, audit.	<p>Corporate governance board composition and independence, remuneration, shareholder rights, auditing and accounting practices.</p> <p>Business ethics code of business ethics, compliance procedures.</p>	<p>CSR Strategy: CSR strategy, ESG reporting and transparency.</p> <p>Management: Structure (independency, diversity, committees), compensation.</p> <p>Shareholders: Shareholder rights, takeover defences.</p>	Corporate governance, stakeholder governance, data privacy & cybersecurity, ESG integration-financial, product governance, resilience.	<p>Corporate governance: board, pay, ownership & control, accounting.</p> <p>Corporate behaviour: business ethics, tax transparency.</p>	Business ethics, corporate governance, information security, innovation management, materiality, policy influence, product quality & recall management, risk & crisis management, supply chain management, sustainable finance, tax strategy, transparency & reporting.	<p>Entity Ratings and Scores: Governance themes around financials and reporting, top management and control, remuneration, risk management (governance related), tax management.</p>
Use of AI	AI is used to increase the timeliness and precision of data collection and analysis, and to check and validate data.	Not explicitly mentioned.	AI is not explicitly mentioned, however the methodology states that a combination of both algorithmic and human processes is used.	AI models are employed to identify, monitor and retrieve information as part of the data collection process for the assessment of ESG management and beta indicators used in the ESG Risk Ratings process. In this regard, dedicated controls have been implemented to manage and mitigate the potential risks arising from the use of AI, addressing, among others, the risk that the limited ability of AI models to understand context, and potential bias may result in data quality issues.	AI is used to increase the timeliness and precision of data collection and analysis, and to check and validate data.	Not explicitly mentioned.	AI is used to increase the timeliness and precision of data collection and drafting.

	Bloomberg	ISS Sustainability Solutions	LSEG	Morningstar Sustainalytics	MSCI Solutions	S&P Global Sustainable1	Sustainable Fitch ⁴²
Data limitations	Missing quantitative data is addressed through a weighted percentage measuring disclosure in an Issue. This determines the range into which an Issue Performance Score will be scaled and shifted, effectively defining the upper and lower bounds of the Issue Score.	Indicators lacking sufficient information are given a score of D- (1.00). Estimated data may be used where reasonable evidence exists, though limited to 5-10% of overall assessments. Adjustments made for small and medium-sized enterprises (SMEs) to avoid systematic disadvantages.	Data limitations are addressed through a combination of manual review and automated processes. Missing information is managed using a scoring adjustment mechanism that accounts for disclosure gaps. Companies with more complete and transparent public disclosures are rewarded with higher scores, while those with insufficient data face penalties. Where specific data points are unavailable, standardised industry benchmarks and estimations are applied to ensure consistency.	Peer group averages are used for missing or incomplete data. Companies with insufficient disclosures face penalties to incentivise transparency. Adjustments made for small and medium-sized enterprises (SMEs) to ensure fair comparisons.	If data is not available, assumptions are made depending on the nature of the data. For example, if a company has not disclosed whether a given policy exists or whether the board has adopted a given practice, MSCI ESG Research assumes that the policy or practice does not exist and/or has not been adopted.	The methodology adjusts for incomplete data using scoring algorithms that reward higher transparency and disclosure. Where data is unavailable, statistical models are applied to estimate scores. Companies that provide more complete and public disclosures are awarded more points, ensuring greater data availability in the future.	Unavailable, inconsistent data is penalised in the related analytical datapoint scoring. Analysts may interpret unclear data and score accordingly or use proxies where information is unavailable.
Controversy considerations	Controversies are not integrated into the scoring model.	Controversies are assessed using Norm-Based Research (NBR), which evaluates the status of allegation, efforts to address controversies and the severity of the impact. The involvement in a controversy leads to a downgrading of the relevant sections in the ESG Corporate. Rating. The controversy induces downgrading system differentiates - moderate, severe and very severe controversies with a downgrading of the respective rating topic by 20%, 50% or 80%.	Controversies are scored based on severity and frequency, using data from media, NGOs, and public sources. Severity weights adjust scores for company size, addressing market cap bias.	Controversies (event indicators) are assessed and scored from 0 (no incident) to 5 (severe incident).	Integrated into scoring model.	Media and stakeholder stories on corporate controversies are monitored on an ongoing basis by S&P Global's S1 Research & Methodology team. ESG Scores include company controversy information.	Integrated into the scoring model.

	Bloomberg	ISS Sustainability Solutions	LSEG	Morningstar Sustainability	MSCI Solutions	S&P Global Sustainable1	Sustainable Fitch ⁴²
Source	https://professional.bloomberg.com/globalassets/professional/solutions/sustainable-finance/scores/bloomberg-esg-scores-methodology.pdf .	https://www.issgovernance.com/file/products/iss-esg-corporate-rating-methodology.pdf .	https://www.lseg.com/content/dam/data-analytics/en_us/documents/methodology/lseg-esg-scores-methodology.pdf . https://www.lseg.com/en/data-analytics/sustainable-finance/esg-scores .	https://connect.sustainalytics.com/hubfs/INV/ESG%20Risk%20Ratings/ESG%20Risk%20Ratings%20Methodology%20Abstract.pdf .	https://www.msci.com/documents/1296102/34424357/MSCI+ESG+Ratings+Methodology.pdf .	https://portal.s1.spglobal.com/survey/documents/spglobal_esg_scores_methodology.pdf .	https://www.sustainablefitch.com/governance-documents .

Annex III: Regulatory definitions

	EU Regulation	UK draft Statutory Instrument	IOSCO Report 2021	ICMA Code of Conduct
ESG Rating	‘ESG rating’ means an opinion or a score, or a combination of both , regarding a rated item’s profile or characteristics with regard to environmental, social and human rights, or governance factors, or regarding a rated item’s exposure to risks or impact on environmental, social and human rights, or governance factors, that is based on both an established methodology and a defined ranking system of rating categories, irrespective of whether such ESG rating is labelled as ‘ESG rating’, ‘ESG opinion’ or ‘ESG score’.	ESG rating means “an assessment regarding one or more ESG factors, produced in the form of an ESG opinion, an ESG score or a combination of both , whether or not it is characterised as an ESG rating”.	Refers to the broad spectrum of ratings products that are marketed as providing an opinion regarding an entity a financial instrument or a product, a company’s ESG profile or characteristics or exposure to ESG, climatic or environmental risks or impact on society and the environment that are issued using a defined ranking system of rating categories, whether or not these are explicitly labelled as “ESG ratings”. ESG ratings are produced using both quantitative models and qualitative analysis and are accompanied by analyst reports to explain the ratings. On that basis, ratings may therefore incorporate an element of analytical judgement or opinion.	ESG rating/score is a product that is provided, or marketed as providing an opinion, score or other ranking issued using an established and defined ranking system, regarding the environmental, social or governance characteristics or risks in relation to one or more entities’, financial instruments’, or products or one or more companies’ ESG profile, characteristics, or exposure to ESG, climate-related or other environmental risks or impact on society and the environment.
ESG Score	ESG score’ means an ESG measure derived from data, using a rule-based methodology, and based only on a pre-established statistical or algorithmic system or model, without any additional substantial analytical input from a rating analyst .	An ESG score is defined as “an ESG rating derived from data and a pre-established statistical or algorithmic system or model, without additional substantial analytical input from an analyst , whether or not it is characterised as an ESG score”.	ESG scores usually result from quantitative analysis.	
ESG Opinion	‘ESG opinion’ means an ESG assessment that is based on a rule-based methodology and defined ranking system of rating categories, involving directly a rating analyst in the rating process.	An ESG opinion is defined as “an ESG rating involving substantial analytical input from an analyst , whether or not it is characterised as an ESG opinion”.		

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