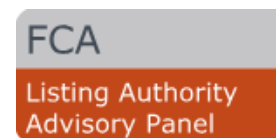


Sustainable Finance Policy Team
Financial Conduct Authority
12 Endeavour Square
London E20 1JN



By email

30 March 2026

Dear Sustainable Finance Policy Team,

Listing Authority Advisory Panel response to the FCA's CP25/34 on ESG (Environmental, Social and Governance) ratings: Proposed approach to regulation

The FCA Listing Authority Advisory Panel (LAAP) is an independent statutory panel that advises the FCA on policy issues which affect issuers of securities, and on policy and regulation proposals from the FCA listings function. The FCA is required to establish and maintain this Panel under FSMA. The FCA Board appoints Panel members and not as representatives of any individual firm; they are expected to contribute to the Panel from the perspective of wholesale and securities markets or the primary market sub-sector in which they are working, drawing on their personal experience and expertise and industry sentiment more generally. This response reflects views widely held by LAAP and does not necessarily imply unanimity.

The Panel welcomes the opportunity to set out its views on practical issues observed in the operation of the ESG ratings market and their impact on issuers and investors. As a Panel, we strongly support the FCA's intention to bring ESG ratings providers into the regulatory perimeter, but we urge the FCA to ensure the regime is proportionate and genuinely improves outcomes for issuers and investors. Our experience is that current market practice places significant and often unreasonable burdens on listed companies, for example, some agencies provide only 24–48 hours for factual corrections, which is simply not workable for most organisations.

We also see wide divergence in methodologies and materiality assessments, with agencies sometimes scrutinising immaterial issues or issuing excessively detailed questionnaires that can run into the hundreds of questions, creating unnecessary cost and distraction. At the same time, there are concerns with how agencies may retain information without consistent governance standards, raising concerns around confidentiality and fairness. We would therefore encourage the FCA to focus on meaningful right to reply requirements, clear expectations on transparency and requiring meaningful materiality assessments appropriate to the scale of the rated entity's operations and governance standards that protect both issuers and investors.

Above all, the regime should promote transparency and proportionality so that ESG ratings add value, support well informed investment decisions and avoid becoming an unintended barrier to investability, particularly for small and mid cap issuers.

We would welcome the opportunity to discuss any of these points further.

Yours sincerely,

[signed]

Mandy Gradden
Chair, FCA Listing Authority Advisory Panel