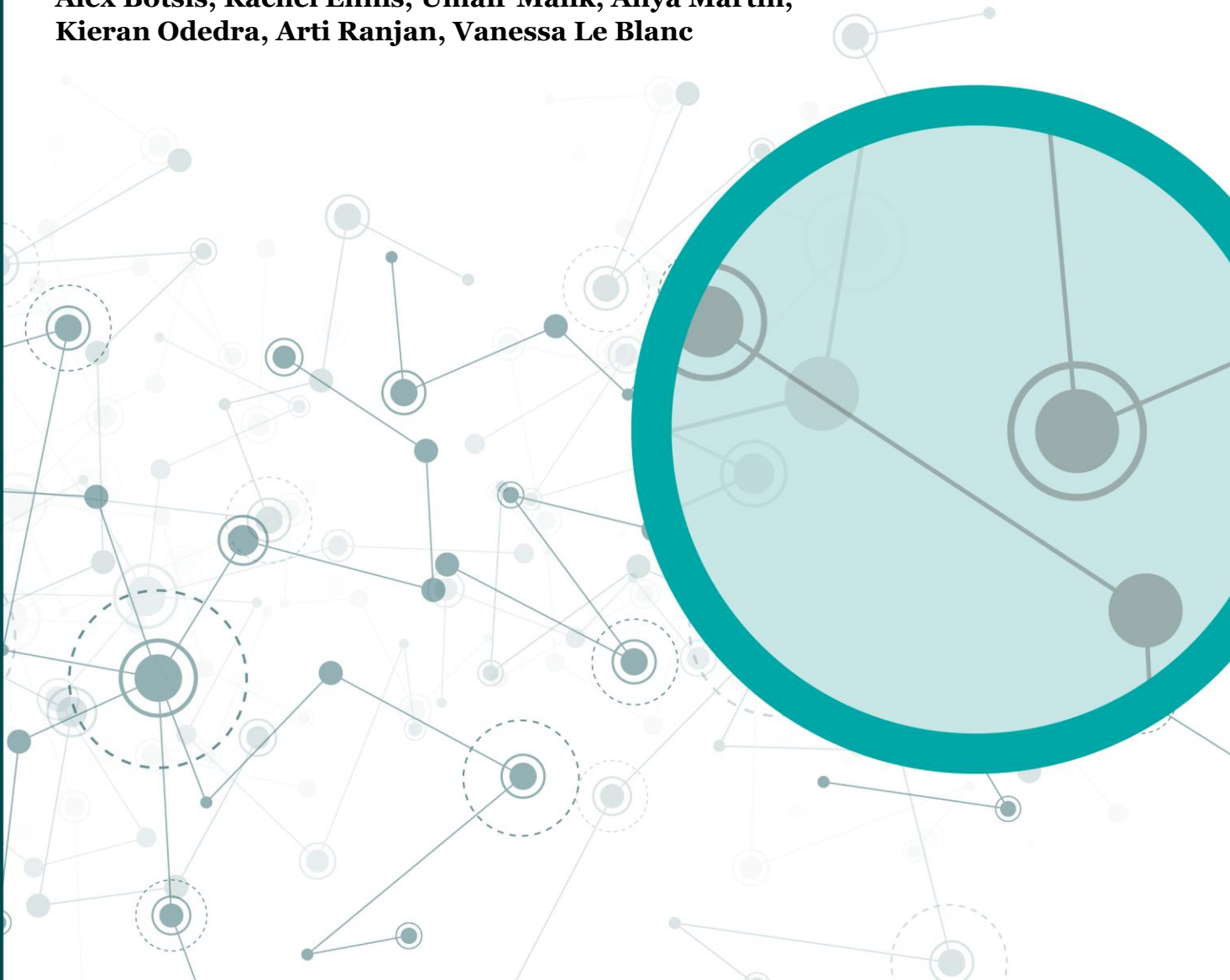


Research Note

1 December 2025

Understanding the UK ESG Ratings Market: Findings from Our Surveys

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Overall, we do not consider that the proposals in this Research Note adversely impact any of the groups with protected characteristics, ie, age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment.

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1 Executive summary

The Government has identified sustainable finance as a growth-driving sector of the UK economy in its [Modern Industrial Strategy](#). In October 2025, it [published legislation](#) to define an ESG rating and bring the provision of ESG ratings into regulation. This legislation is subject to final parliamentary approval and, if approved, will be in force by the time we publish our final rules. We are now consulting on rules to improve transparency and trust in the ESG ratings market.

ESG ratings are provided primarily by data and analytics companies. Investors and others use these ratings to inform capital allocation decisions, manage risk, build and update indexes, manage portfolios and funds, and report to clients and regulators. [Opimas](#) (paywalled) has estimated that the global spend on ESG ratings and data more than doubled between 2021 and 2025.

Developing a robust evidence base was critical to the design of the regime for this newly regulated market, supporting both policy development and our Cost Benefit Analysis. To build a robust evidence base, we surveyed 111 ESG rating users (Q4 of 2024), drawing on a representative sample of the financial services sector, and 26 ESG rating providers (Q2 of 2025). We structure our analysis and findings around four key questions about the use of ESG ratings, the risks of harm users face in the market, as well as the business structure of their providers and their practices.

Summary of findings

We have used the findings from these surveys to better understand the UK ESG ratings market and to inform the proposals set out in our [consultation paper](#). We used the findings to test whether our proposed interventions are proportionate and targeted to address the risks of harm posed by rating providers. We also used the data from the survey to estimate the costs and benefits of our proposals.

1. How are ESG ratings used in the financial services sector?

- Approximately 5,400 UK financial services firms used externally produced ESG ratings, spending a combined total of £622 million on data products that include ESG ratings during the year up to November 2024.
- Half of users used ratings from four of the largest providers.
- The financial services sectors with the highest proportion of rating users were investment management, pensions and retirement income, and retail investments.
- The principal use cases – where firms directly used ESG ratings – included guiding investment decisions, marketing and reporting, and constructing benchmarks/indices. Firms also used financial services products incorporating ratings, such as investment or benchmarks products.

- Firms often used ratings from multiple providers, mostly to increase coverage and mitigate risks from inaccuracies.

2. What risks of harm do regulated firms face when using ESG ratings?

- Nearly half of users reported issues related to transparency or the complexity of the information provided about ESG ratings, including difficulties understanding what an ESG rating measures or accessing underlying data/methodologies.
- More than half of users considered there are shortcomings in providers' systems and controls processes, while a quarter reported concerns about conflicts of interest and governance arrangements.
- Half of users were concerned about the quality and integrity of underlying data, which they appreciated was not always in the providers' control.
- A number of users also reported finding issues with the ratings that were not resolved within a satisfactory timeframe.
- 63% of users dedicated internal resources (averaging nearly 3 FTE per firm) to assess the suitability and reliability of ESG ratings, with 21% of this resource being spent on resolving issues or requesting information from rating providers.

3. What are the primary business models employed by ESG rating providers?

- Most providers used a 'user-pays' model, which usually entails offering unsolicited ratings that users pay for typically via recurring subscriptions, while a small number also offered free ratings.
- Providers often sold ESG ratings with other data products and services.
- Many providers or their parent groups offered additional paid products and/or services to rated entities.
- Their main client base was financial services firms and corporates.

4. What are the current practices of ESG rating providers?

- Our review of providers' practices, guided by IOSCO's recommendations and the Code¹, focused on four core areas: transparency, systems and controls and stakeholder engagement, conflicts of interest, and governance.
- Rating providers have implemented a range of systems and controls processes. However, transparency and management of conflicts of interests remained areas for further development.
- The resource cost to adopt these current practices was significantly higher for large providers, reflecting the complexity of their business models.

¹ The code of conduct refers to the [International Capital Market Association's \(ICMA\) owned voluntary code of conduct](#) ('the code'), developed in line with [the International Organization of Securities Commission \(IOSCO\) recommendations](#).

2 Context

ESG ratings are part of a growing market for ESG data and analysis. They can help users achieve their sustainability and broader ESG commitments. They typically aim to offer standardised, digestible assessments of exposure to and management of ESG factors using a mix of data and informed opinions. While often focused on companies, ESG ratings can also cover other types of entities and assets, such as sovereign issuers and real assets.

ESG factors can pose both risks and opportunities for companies and other investable assets, potentially affecting their financial performance. At the same time, the inherent characteristics of firms and assets – along with the strategic choices made by or about them – can amplify or reduce their exposure to risks, weaken or enhance their resilience, shape their ability to seize opportunities, and determine whether they deliver benefits or harm to wider stakeholders. As a result, financial markets participants, particularly asset managers, rely on third-party ESG ratings to inform a range of decisions and activities, from capital allocation decisions to risk management to constructing benchmarks products.

In 2021, the International Organization of Securities Commissions (IOSCO) published a report identifying the key risks of harm in the market. IOSCO recommended that regulators consider establishing standards for ESG rating providers (referred to as rating providers in this document), across transparency, governance, systems and controls and conflicts of interest.

In 2022, the FCA appointed the International Capital Market Association (ICMA) and the International Regulatory Strategy Group (IRSG) to convene an industry working group to develop a globally consistent voluntary code of conduct for both ESG data and rating providers. Closely in line with IOSCO's recommendations, the final industry-led code was launched in December 2023, and is owned and maintained by the ICMA.

In October 2025, the Government published legislation to bring the provision of ESG ratings into regulation. There are a multitude of ESG ratings, scores and rating-like products in the market. The Government legislation defines which of these products will fall within the scope of the ESG Ratings regime. Additionally, several jurisdictions, including the European Union (EU), have introduced or are developing regulatory frameworks for ESG rating providers.

We recently launched a consultation (CP25/34) on our proposed regulatory regime for ESG ratings. Informed by IOSCO's recommendations, we are proposing a new regulatory regime to reduce the risks of harm by supporting high-quality, reliable, and clear ESG ratings. The proposed regime involves applying our baseline rules for authorised firms and tailored rules focused around the core areas of transparency, systems and controls and governance, conflicts of interest, and stakeholder engagement. To inform our policymaking and our Cost Benefit Analysis (CBA), we collected data from ESG rating providers and users in the financial sector to address our main research questions:

- How are ESG ratings used in the financial services sector?
- What risks of harm do regulated firms face when using ESG ratings?
- What are the primary business models employed by ESG rating providers?
- What are the current practices of ESG rating providers?

3 Data

This section presents the main details of our surveys of ESG rating providers and users, as well as the analytical approach applied after data collection. We provide the questionnaires of the user and provider surveys in Annexes 2 and 3, respectively.

Overview of user survey

In Q4 of 2024, we issued a survey to potential users of ESG ratings within our regulatory perimeter.

The survey was sent to 1,624 firms:

- 1,550 randomly sampled firms from seven primary market sectors in our perimeter: general insurance and protection; investment management; pensions and retirement income; retail banking; retail investments; retail lending; wholesale financial markets.
- 67 additional firms that we knew used ESG ratings based on our stakeholder engagement and desk-based research and that we expected would respond to the survey, for additional insights.
- 7 proxy advisors.

To construct the main sample, we divided all regulated firms into sub-groups based on size and primary sector, then randomly selected a fixed number of firms from each group. This method, called disproportionately stratified random sampling, prevents over-sampling firms with certain characteristics when these characteristics are not as prevalent in the population.

The final sample included 195 unique responses, after removing duplicate responses and observations from respondents that did not complete all of the survey.² This represents a response rate of 12%.

Of our final sample, 111 firms reported using ESG ratings, and these form our sample of ESG rating users. The characteristics of this sample are presented in Table 1. The majority of users in our sample operated in the investment-related (investment management and retail investments) or insurance (general insurance and protection) sectors. They also varied in size across these sectors, based on estimates of firm size derived from fee block data in our internal Standard Cost Model.³

² Only one proxy advisor responded to our user survey, but we do not include this response in our analysis and in our estimates because of the small sample size.

³ FCA (2024). [Statement of Policy on Cost Benefit Analyses](#)

Table 1: Our sample of firms using ESG ratings, by sector and size

Sector	Sample size, by approximate firm size		
	Large	Medium	Small
General Insurance & Protection	5	7	1
Investment Management	11	17	10
Pensions & Retirement Income	4	7	1
Retail Banking	7	1	2
Retail Investments	0	15	7
Retail Lending	0	1	0
Wholesale Financial Markets	9	3	2
Grand Total	36	51	23

Note: Figures are not weighted and are based on our calculations using our user survey responses.

Our findings on the ESG rating user population are weighted to account for the probability of selection and non-response rates. This means our findings are weighted to be representative of the regulated firms in our perimeter, and *assume* that non-response is random, ie, that the respondents are not systematically different from the non-respondents. The sampling approach we took was the best possible, short of requiring all firms to respond. Our main limitation is the sample size given the response to the survey was voluntary. Therefore, our assumption that non-response is random is necessary and is common for survey-based data analysis.

We provide the details on the sampling and weighting procedures in Annex 1.

Overview of provider survey

In Q1 of 2025, we issued a survey addressed to providers of ESG ratings active in the UK market. We sent the survey to 139 potential ESG rating providers identified based on policy and supervisory expertise, market engagement, and desk-based research. The survey was also promoted to relevant trade associations and made available on our website, allowing any potential providers, including small providers, to participate.

The final sample included 38 unique responses, after minor cleaning.⁴ Of this sample, 26 firms reported providing ESG ratings as defined by the Treasury's consultation on the draft Statutory Instrument (SI) in November 2024. We consider 10 of these providers as large, based on their market shares.⁵ We refer to the remaining 16 firms as non-large, due to uncertainty around their size.

Since the total size and characteristics of the entire population of providers in the UK ESG ratings market are unknown, we did not apply post-survey weighting to our results. Although our sample represents a significant portion of the market as 10 out of the 12 the largest ESG rating providers responded, many smaller providers are likely not captured, and this should be considered when interpreting the survey results.

⁴ We note that a small number of providers responded to us *outside the survey* verifying that they indeed produce ESG ratings. However, we do not include them in our sample as we did not collect enough relevant data.

⁵ Opimas (2025). The Market for ESG Data: Are the Boom Times Over?. (paywalled)

4 Use of ESG ratings

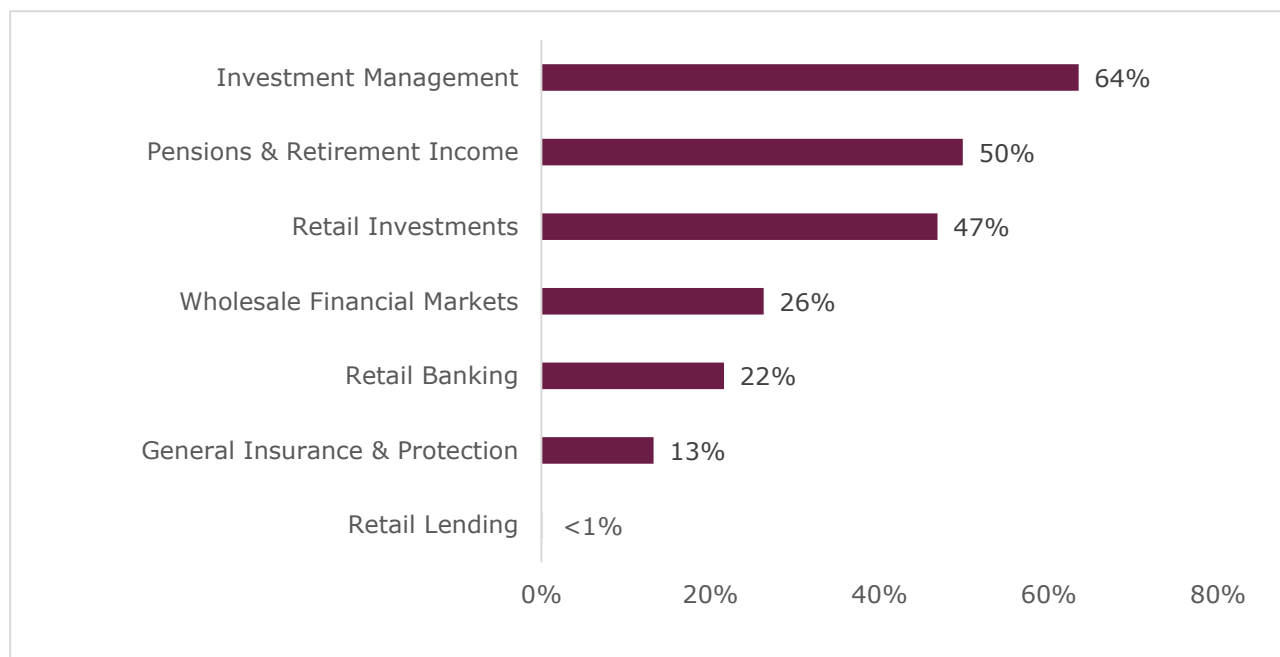
Who uses ESG ratings

There were an estimated 5,400 firms within the UK financial services sector using ESG ratings or data products that are externally produced, based on scaling up our survey estimates to the entire regulated firm population.⁶ In the year up to November 2024, these firms collectively spent an estimated £622 million on data products that included ESG ratings.⁷

Notably, a third of these firms started using ESG ratings within the preceding three years, reflecting the growth in prominence of ESG considerations and the introduction of new ESG rating products in the market.

The financial services sectors with the highest proportion of users were: investment management (64% of these firms were using ESG ratings); the pensions and retirement income (50%); and retail investments (47%), as shown in Figure 1.

Figure 1: Proportion of ESG rating users within each sector



Notes: 1. FCA estimations based on the ESG rating user survey, Q4 2024. 2. All estimates are weighted using sampling weights. 3. Estimates are based on a sample of 111 regulated firms using ESG ratings.

⁶ Externally produced ESG ratings are those from external rating providers, while internally produced ESG ratings are those produced and used by users. There are an estimated 6,200 regulated firms who use externally or internally produced ESG ratings, of which 5,400 use externally produced ratings.

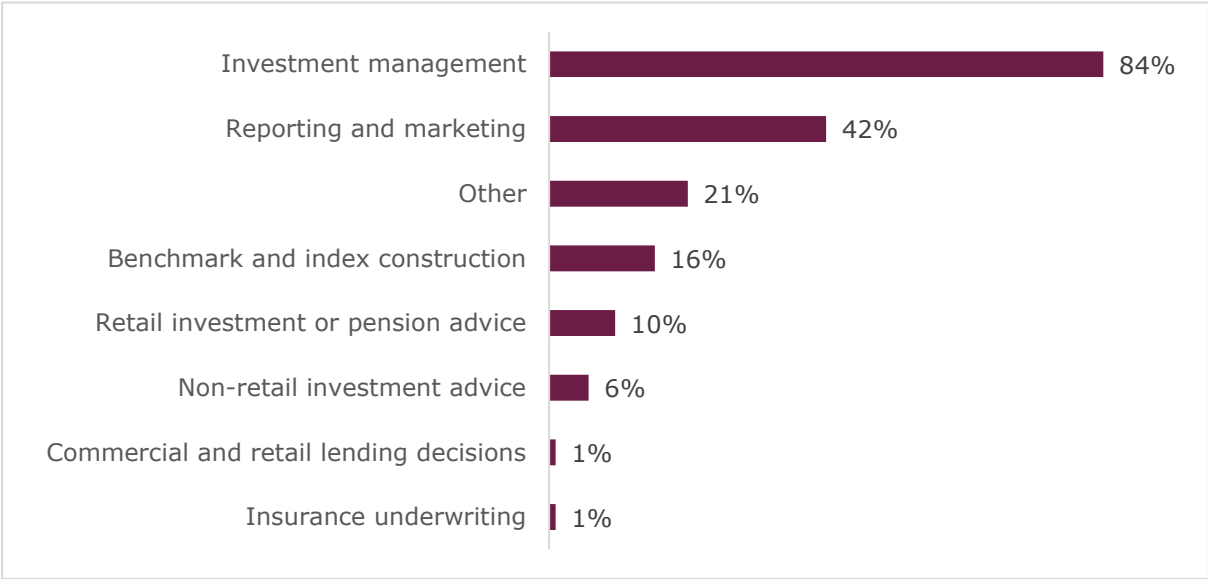
⁷ The 95% (bootstrap) confidence interval is £274m - £1,074m.

How ESG ratings are used

ESG ratings are used widely across financial markets to inform investment decisions and influence capital allocation. These use cases are likely to fall within scope of regulation, as set out by the Government’s legislation.

The most common use cases for internally and externally produced ESG ratings were to inform investment management (cited by 84% of users) and for reporting and marketing (42%), as shown in Figure 2.

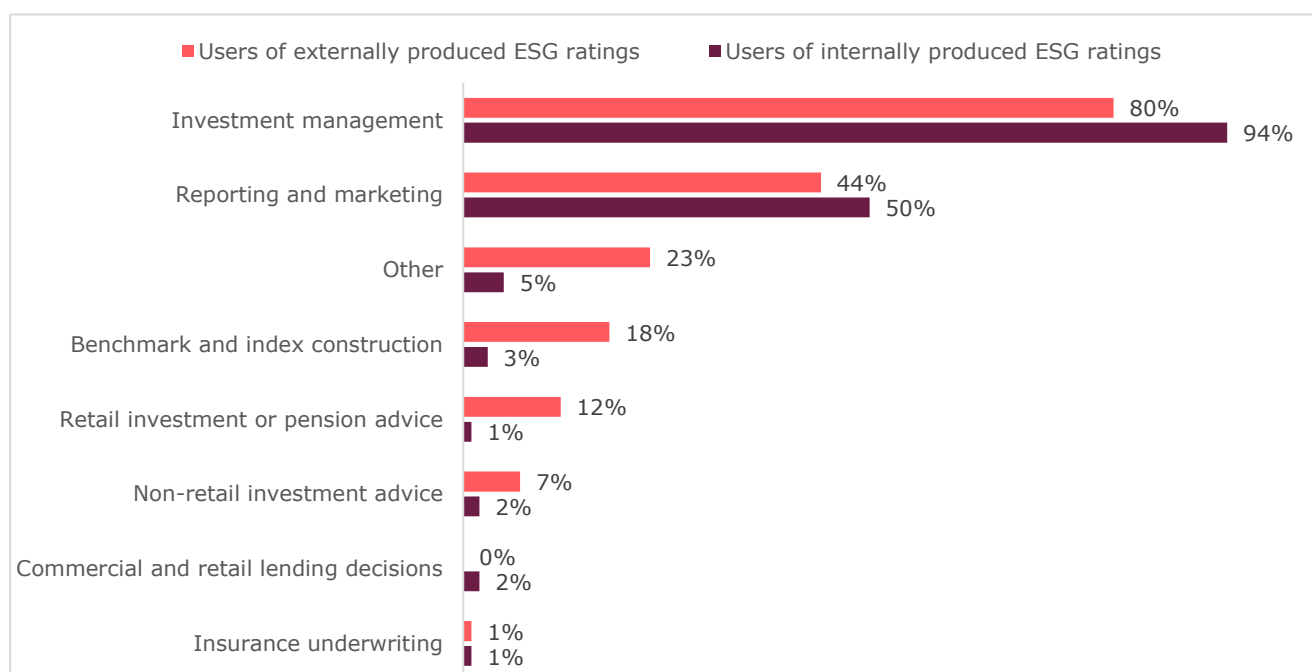
Figure 2: Use cases for ESG ratings



Notes: 1. FCA estimations based on the ESG rating user survey, Q4 2024. Multiple choices were allowed. 2. All estimates are weighted using sampling weights. 3. Estimates are based on a sample of 108 regulated firms that use ESG ratings. 4. 'Investment management' includes: Investment analysis and decision making; investment mandate and asset manager selection; investment research. 5. 'Other' use cases include (but are not limited to) investment and credit research, assessments of vendors/suppliers that users either directly engage with or have an indirect interest in through their relationships with other companies.

Use cases for externally produced ratings varied significantly compared to internally produced ones. In Figure 3, below, we observe users more frequently used externally produced ratings compared to internally produced ones when it came to:

- benchmark and index construction (18% compared to 3%)
- retail investment and pension advice (12% compared to 1%)
- non-retail investment advice (7% compared to 2%)

Figure 3: Use cases for internal and external ESG ratings

Notes: 1. FCA estimations based on the ESG rating user survey, Q4 2024. Multiple choices were allowed. 2. All estimates are weighted using sampling weights. 3. Estimates are based on a sample of 108 regulated firms that use ESG ratings. 4. 'Investment management' includes: Investment analysis and decision making; investment mandate and asset manager selection; investment research. 5. 'Other' use cases include (but are not limited to) investment and credit research, assessments of vendors/suppliers that users either directly engage with or have an indirect interest in through their relationships with other companies.

Given users of ESG ratings are often active in the investment and pension sectors, these ratings can influence the management of a large asset base. We estimated that the median asset base, across a wide range of financial instruments, for which firms used ESG ratings was £22 billion.⁸ The majority of respondents indicated these assets were almost entirely publicly traded, with a small share reporting that a portion were traded over the counter.

Asset owners and managers typically used ratings to assess ESG risks and opportunities and meet their clients' mandates, which may specifically require the consideration of ESG factors. They use them to construct products and services that incorporate ESG considerations, for example, applying positive or negative screening based on ESG characteristics to their portfolio.⁹

ESG ratings were also embedded in benchmarks and indices, which usually track entities with defined ESG characteristics. Some benchmark administrators assign weights to firms within their indices according to ESG ratings, which can help investors meet their investment and ESG objectives.^{10,11}

⁸ The 25th percentile is estimated to be £2.3 billion and 75th percentile is estimated to be £300 billion, based on 29 respondents that provided the figures of the value of assets 'in the context of asset management, asset ownership, and/or credit origination'.

⁹ Broadridge (2020). [ESG: Transforming asset management and fund distribution](#).

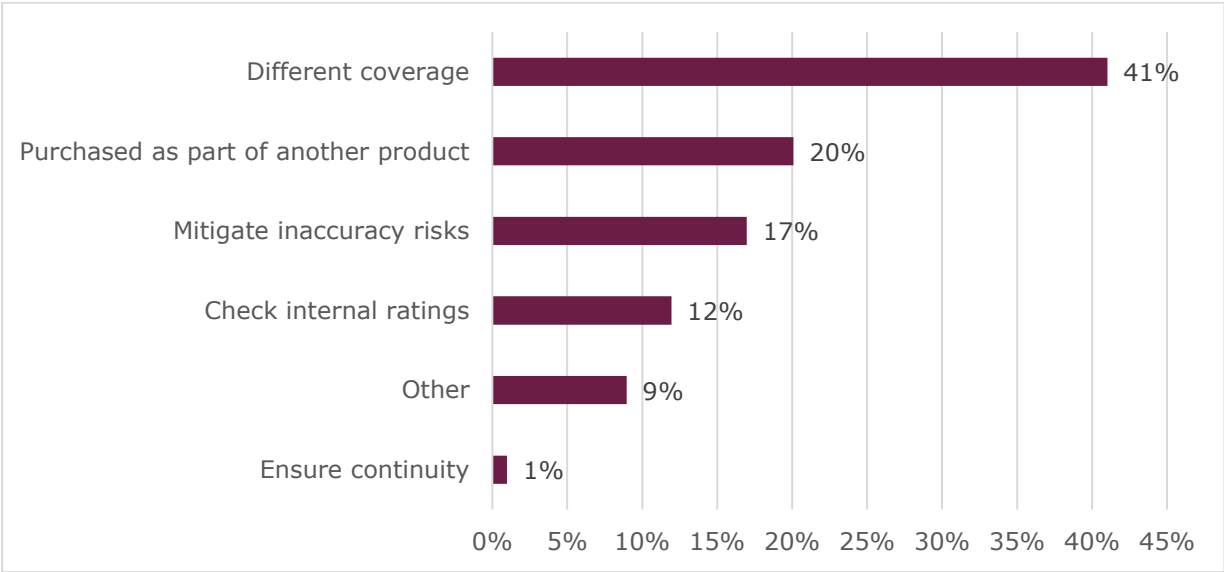
¹⁰ Legal & General (2023). [Insights from 14 years of ESG data](#).

¹¹ FTSE Russell (2025). [FTSE ESG Index Series](#).

How users access and choose between products

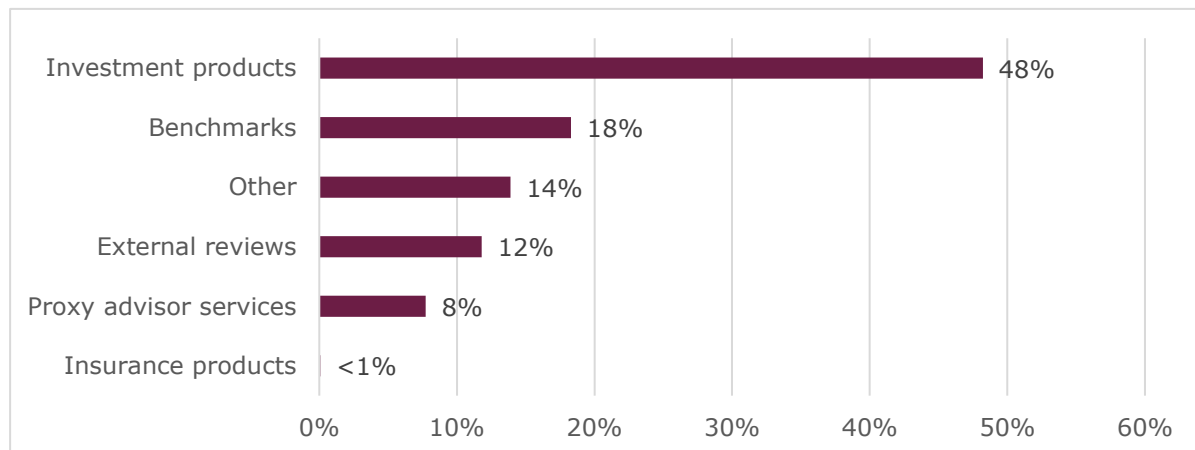
The majority of users of ratings purchased them, with many also using free ESG ratings. Only a minority of users accessed exclusively free ratings. Around a half (54%) used multiple ESG ratings from different providers. The main reasons for this were to increase coverage (41%), inclusion as part of another product such as a wider data subscription (20%), and to mitigate risks from inaccuracies (17%), as shown in Figure 4.

Figure 4: Reasons for using multiple ratings



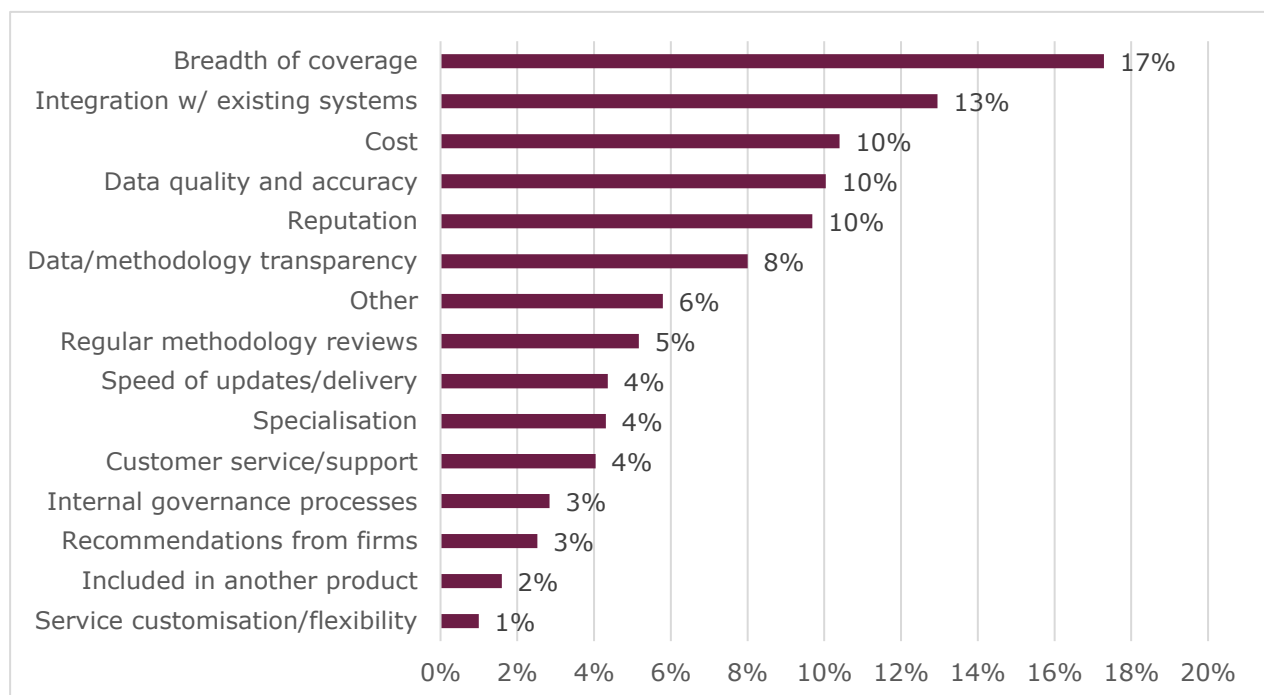
Notes: 1. FCA estimations based on the ESG rating user survey, Q4 2024. Multiple choices were allowed. 2. All estimates are weighted using sampling weights. 3. Estimates are based on a sample of 60 regulated firms. 4. 'Other' reasons include (but are not limited to) meeting client requests and using external ratings as inputs for internal ratings.

ESG ratings were also used indirectly by over three quarters of users (80%), via financial products or services by third parties that incorporated ESG ratings. The most common products incorporating ESG ratings were investment products (see Figure 5).

Figure 5: Products incorporating ESG ratings most commonly used by firms

Notes: 1. FCA estimations based on the ESG rating user survey, Q4 2024. 2. All estimates are weighted using sampling weights. 3. Estimates are based on a sample of 95 regulated firms.

When selecting an ESG rating provider, firms considered a range of factors. The most prevalent included breadth of coverage (17%), integration with existing systems (13%), cost (10%), data quality and accuracy (10%), and provider reputation (10%). The full set of factors is shown in Figure 6. For firms who might look to switch providers, their priorities would shift towards cost, breadth of coverage, and the quality and accuracy of data.

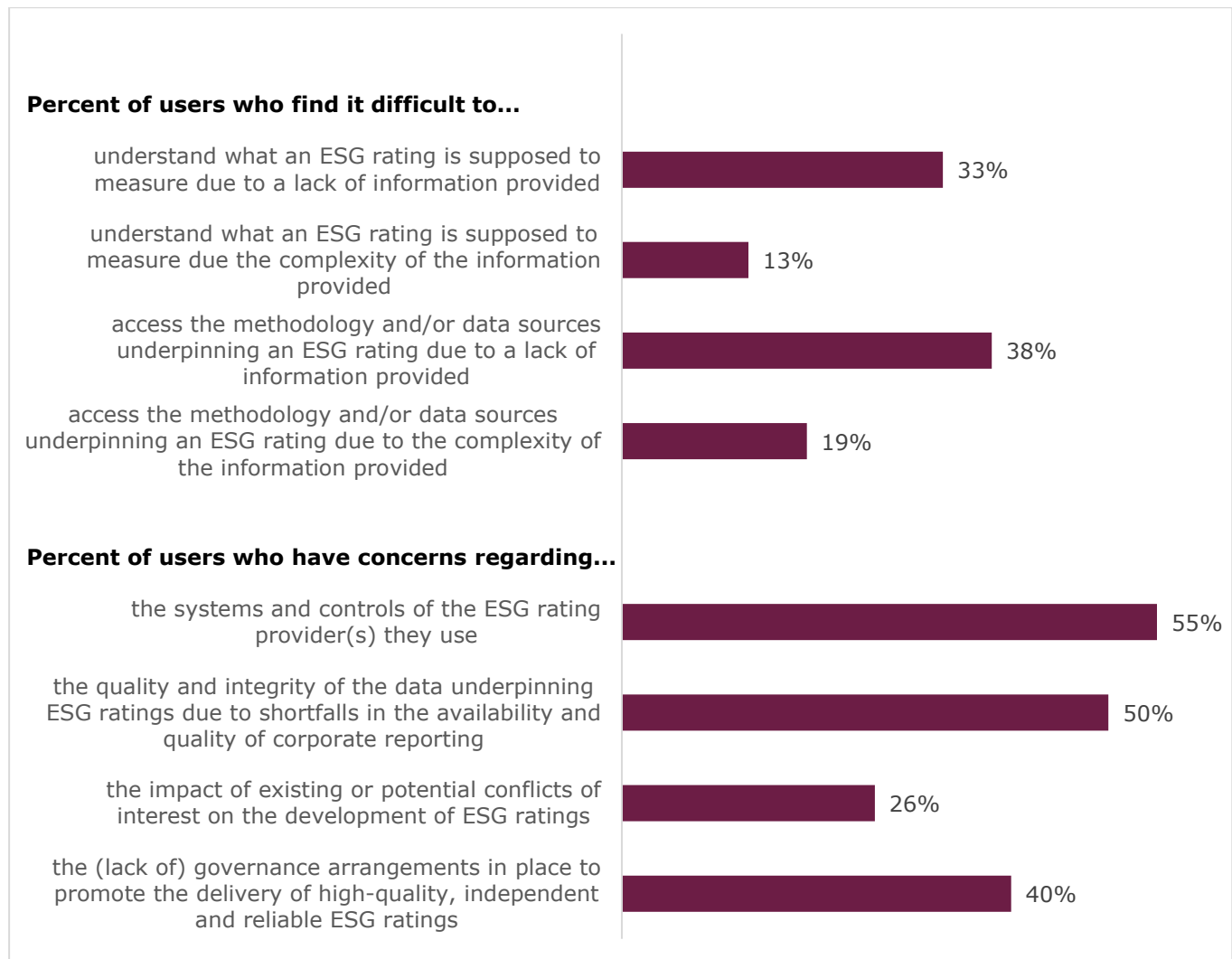
Figure 6: Factors for choosing an ESG rating provider

Notes: 1. FCA estimations based on the ESG rating user survey, Q4 2024. 2. Multiple selections were allowed. 3. All estimates are weighted using sampling weights. 4. Estimates are based on a sample of 92 regulated firms. 5. 'Other' reasons include (but are not limited to) client demand for ratings from a specific provider.

5 Risks of harm in the UK ESG ratings market

To understand the risks of harm in more detail, we asked users about the issues they faced in the UK ESG ratings market. We summarise their responses in Figure 7.

Figure 7: Challenges users frequently face in the ESG ratings market



Notes: 1. FCA estimations based on the ESG rating user survey, Q4 2024. All estimates are weighted using sampling weights. 2. Estimates are based on a sample of 83 regulated firms.

Concerns with transparency

48% of users faced transparency-related challenges, including unavailability of and/or complex information provided on ratings' objectives, methodologies and data sources used.¹²

In particular, they had difficulty understanding:

- What is captured by the ESG ratings – 33% cited insufficient information and 13% cited overly complex information
- The methodology underpinning the different ratings – 38% cited insufficient information and 19% cited excessive complexity.

Users also reported limitations in disclosures and the availability of further information when they required it. In particular, users required information that was not readily available, regarding¹³:

- the data sources, data collection or data accuracy (27% of users).
- the methodology underpinning the development of the ratings (19% of users).
- the provider's governance arrangements, and/or management of (potential) conflicts of interest (24% of users).

Other concerns with providers' internal processes

Limitations in providers' internal processes can affect the quality of their ratings and services. Specifically:

- 55% of the users in our survey considered there are shortcomings in the systems and controls for applying, monitoring and reviewing the methodology and wider policies and procedures that underpin the ESG ratings.
- 26% had concerns regarding the impact of existing or potential conflicts of interest on the development of ESG ratings.
- 40% had concerns regarding the governance arrangements that providers had in place to promote the delivery of high-quality, independent and reliable ESG ratings.

Additionally, 50% of the users expressed concerns regarding the quality and integrity of the data underpinning the ESG ratings that their rating providers may not be able to address. That is, they considered these concerns to stem from shortfalls in the availability and quality of corporate reporting that made up the underlying data.

Engagement and complaints handling

Users also faced difficulties in resolving the above issues within a satisfactory timeframe (engagement and complaints handling). In particular:

- 22% of the users found issues with ratings transparency, accuracy, validity, weighting or other methodological issues, and these issues were not resolved within a satisfactory timeframe.

¹² 48% of users reported at least one of the four difficulties listed in the upper half of Figure 7.

¹³ Users that cannot access information easily includes those reporting that 'information is not readily available' nor 'promptly provided when requested'.

- 30% of the users found issues with rating providers' governance, systems and controls, or management and disclosure of (potential) conflicts of interest, and these issues were not resolved within a satisfactory timeframe.

To address these challenges, users were investing extensive/disproportionate resources in performing due diligence on ESG rating products, which we have estimated using our survey data.

According to our survey, we estimate 63% of users of externally produced ESG ratings (approximately 3,400 regulated firms) used internal resources to assess the suitability and reliability of the ESG ratings they receive. These findings align with other global markets; for example, BaFin's study found that 87% of German asset managers surveyed evaluated the quality and reliability of their ESG data.¹⁴

Amongst those conducting these assessments, we estimated that users dedicated, on average, almost three (2.96) FTE annually to this task.¹⁵ Details on how this estimate was calculated, including data cleaning and winsorizing (a technique to reduce the impact of outliers)¹⁶, are provided in Annex 1.

Based on the survey responses, we estimate that, on average, this time typically included onboarding processes, internal training, and system integration to ensure data quality and mitigate risks from inaccurate or inconsistent ESG data and rating inputs. Through our engagement with firms, one firm described a 9-to-12-month onboarding timeline for a new ESG rating provider, including IT system changes and methodology vetting. Another highlighted manual correction of erroneous ESG ratings from providers and recalibration of internal systems, due to lack of reissuance protocols.

An estimated 21% of the FTE resources (0.6 FTE)¹⁷ that firms typically dedicated to assessing the ESG ratings can be attributed to issues such as:

- identifying and resolving issues that users may find with the ESG rating provider, and
- requesting relevant information when that is not easily available.

¹⁴ BaFin - Publications & Data - BaFin Market Study - EN

¹⁵ Bootstrap 95% confidence interval: 0.2 FTE/year – 7 FTE/year.

¹⁶ We replace values above the 95th percentile with the 95th percentile value.

¹⁷ We have analytically estimated the 95% confidence interval for the average FTE attributed to issues relating to deficiencies to be between 0.1 - 4 FTE. In the Annex 'Further details on user survey analysis', we describe the details of our derivations.

6 ESG rating providers

The market structure

Globally, the ESG ratings and data market is dominated by a few providers. The three largest firms accounted for around 60% of the market, while approximately 90% of market share was held by 12 providers in 2024.¹⁸ The remaining 10% consisted of a long tail of smaller providers.

These leading providers have consolidated their position in the market through acquisitions and economies of scale. Between 2009 and 2020, the larger providers acquired 30 smaller rating providers.¹⁹ The cost of producing a rating is typically less than the total revenue from selling the same rating to multiple users, which further reinforces their position in the market.

The UK market is similar in structure. According to our user survey, around half of UK users purchased ESG ratings from the four largest providers. Based on our survey data and market knowledge, we estimate that approximately 80 providers are active in the UK ESG ratings market, with the total potentially reaching up to 150.

ESG rating providers' business models

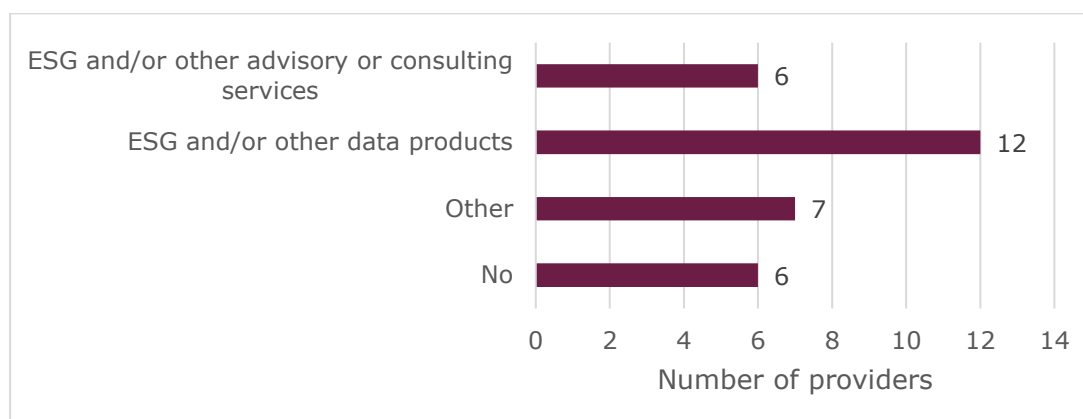
All 26 providers offered ESG ratings that were paid for, but a small number of providers also offered ESG ratings for free. The predominant business model was a 'user-pays' one, in which users pay a fee, most often a recurring subscription. Offering ESG ratings (and the underlying data) with a one-off payment was less frequent. A smaller number of providers operated on an 'issuer-pays' basis, whereby companies pay to be rated.

For many providers, ESG ratings often formed one part of their overall business offering. It is common for ratings to be incorporated in other services or products, particularly wider data products, and sold as part of an ongoing subscription. Some ESG rating providers are also benchmark administrators, with some of their benchmarks and indices incorporating ESG ratings.

Notably, 19 out of the 26 providers reported that they, or their parent group, offered other paid products and services to entities that they also rate, which may create conflicts of interest. As shown in Figure 8, these additional offerings included ESG or other data products (offered by 12 providers), ESG and/or other advisory or consulting services (6 providers), second party opinions or sustainability courses (7 providers who responded 'Other').

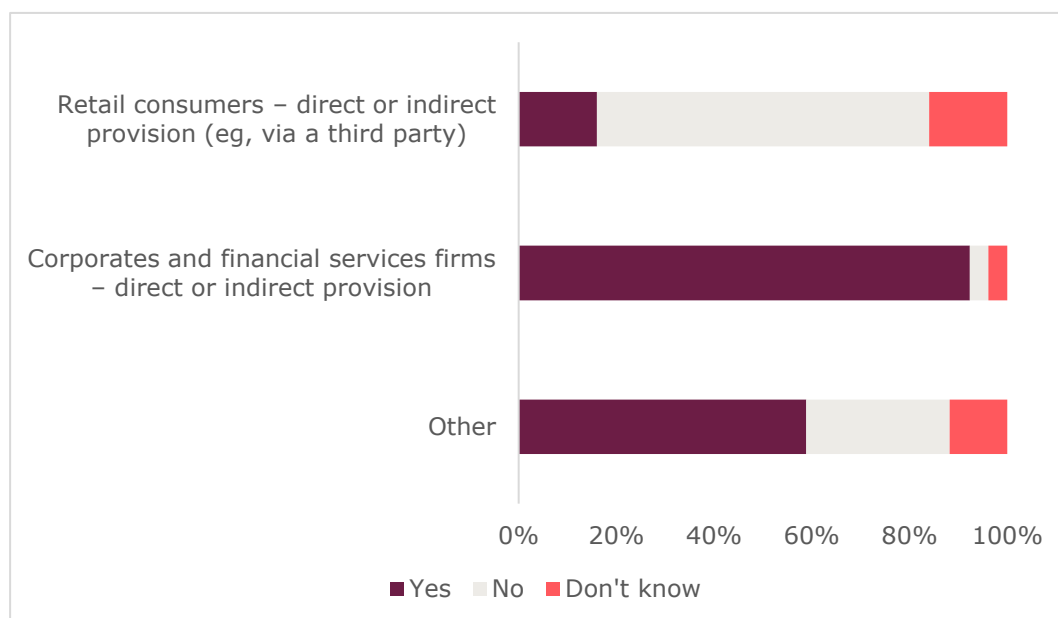
¹⁸ Opimas (2025). [The Market for ESG Data: Are the Boom Times Over?](#). (paywalled)

¹⁹ Autorité des Marchés Financiers (2020). [Provision of non-financial data: mapping of stakeholders, products and services.](#)

Figure 8: Other paid products/services offered to rated entities

Notes: 1. FCA estimations based on the unweighted ESG rating provider survey, Q1 2025. 2. Estimates are based on a sample of 26 firms responding to question 15 of the provider survey. 3. Selecting multiple answers was possible.

The client base for ESG rating providers was predominantly composed of financial services firms and corporates, with 24 out of 26 providers serving these sectors. A small number of providers indicated that they also offered products directly or indirectly to retail consumers; however, as found from our desk-based research, while providers may publish headline ratings on their websites, which could be accessed by a range of audiences, these are rarely targeted directly at retail consumers. A detailed breakdown can be found in Figure 9.

Figure 9: Types of users that providers offer products to

Notes: 1. FCA estimations based on the unweighted ESG rating provider survey, Q1 2025. 2. Estimates are based on a sample of 38 firms responding to question 7 of the provider survey. 3. 'Other' include academic institutions, government and other public bodies, non-government organisations, charities, data vendors.

Summary of providers' current practices

We took stock of providers' current practices, drawing in part on IOSCO's recommendations and the Code. Rating providers reported having a range of systems and controls in place. However, transparency and management of conflicts of interest remained areas for further development. These gaps may partly contribute to users' concerns about understanding the suitability of and reliability of ESG ratings, which we discussed in section 'Risks of harm in the UK ESG ratings market'.

In Table 2, we show the self-reported adoption rates for the listed systems and controls processes. We observe high adoption rates by the providers for most processes. However, the relatively lower alignment for having clear contact points (69%) may indicate room for improvement in communication with rated entities.

In terms of managing conflicts of interests (Table 3), while most providers had basic conflict management policies, fewer disclosed these measures or had controls on staff trading and compensation to prevent conflicts of interests.

In terms of transparency (Table 4), providers mentioned being generally transparent about what their ratings measured and their high-level methodologies, but far fewer provided detailed methodologies or regular evaluations. This gap may have contributed to user concerns about understanding and comparing rating products.

Finally, while most providers had basic governance structures, fewer had formal oversight at the board or executive level (see Table 5). Lack of proper governance limits how accountable the rating provider is to the user, which could damage the integrity and independence of the rating.

Table 2: Current practices on systems and controls

Process	Proportion (%) of respondents
Ongoing monitoring and updating of ESG ratings – where applicable and in accordance with methodology	88%
Regular review of methodology, with recording and communication of methodology changes and impacts of those changes	85%
Ensuring sufficient technological capability to deliver high-quality ESG ratings products	85%
Quality controls including both (i) procedural checks to ensure that the methodology and internal processes are followed correctly, and (ii) holistic checks to ensure that the process considering the plausibility, coherence and logic of the product is sound	92%
Quality control framework allowing for the appropriate and timely consideration of information brought to your attention by rated entities or users	73%
Maintenance of internal records and management, protection and limitations around use of non-public information (eg, confidentiality agreements)	85%
Clear and consistent contact point for rated entities to interact with	69%

Notes: 1. FCA estimations based on the unweighted ESG rating provider survey, Q1 2025. 2. Results are based on a sample of 26 firms responding to question 33 of the provider survey.

Table 3: Current practices on conflicts of interests

Process	Proportion (%) of respondents
Written internal policies and procedures and mechanisms designed to (1) identify and (2) eliminate, <u>or</u> manage, mitigate and disclose any actual or potential conflicts of interest	85%
Regular review of such policies and procedures, and their application	81%
Appropriate records of actual and potential conflicts of interest	62%
Disclosure of your conflict avoidance and management measures to (potential) users/rated entities	58%
Measures to help ensure staff refrain from any securities and derivatives trading presenting inherent conflicts of interest	54%
Reporting lines for appropriate staff and their compensation arrangement structured to eliminate or appropriately manage actual and potential conflicts of interest (eg, compensation or evaluation of appropriate staff not linked to revenue generated from entities they regularly interact with regarding such ESG ratings)	58%

Notes: 1. FCA estimations based on the unweighted ESG rating provider survey, Q1 2025. 2. Results are based on a sample of 26 firms responding to question 36 of the provider survey.

Table 4: Current practices on transparency

Process	Proportion (%) of respondents
The measurement objective and output (eg, scale) of the ESG ratings	88%
High-level methodology document(s)	85%
Detailed methodology document(s)	58%
Regular evaluation of your methodologies against the outputs which they have been used to produce	27%
Terms of engagement describing engagement with rated entities, including when information is likely to be requested and the opportunities available (if any) to the rated entity for review	38%
Information on data confidentiality management and on the protection of non-public information, to the extent terms of engagement are published	31%
Disclosures of potential and actual conflicts of interest that may compromise the independence and integrity of the ESG ratings	42%

Notes: 1. FCA estimations based on the unweighted ESG rating provider survey, Q1 2025. 2. Results are based on a sample of 25 firms responding to question 39 of the provider survey.

Table 5: Current practices on governance

Process	Proportion (%) of respondents
A clear organisational structure with well-defined, transparent roles and responsibilities for personnel involved in the production, distribution, or oversight, as appropriate, of your ESG ratings products	85%
Governance and oversight arrangements for review and/or sign-off by the board and/or executive committee and/or directors	54%

Notes: 1. FCA estimations based on the unweighted ESG rating provider survey, Q1 2025. 2. Results are based on a sample of 25 firms responding to question 43 of the provider survey.

7 Annexes

Annex 1: Further details on user survey analysis

Further details on user survey analysis

User survey sampling

FCA register data cleaning

The population for which we wanted to get insights from the survey was the 42,000 regulated and active firms in the FCA's Financial Services Register as of the date 24/10/2024. Firms were classified as either standalone entities or part of a group. Where a group contained more than one firm with the same Primary Sector, one of these firms was randomly selected and the others dropped.

The primary sectors in FCA's register at the time were:

- Wholesale Financial Markets
- General Insurance & Protection
- Retail Banking
- Investment Management
- Retail Lending
- Retail Investments
- Pensions & Retirement Income

Sampling

We conducted a disproportionately stratified random sampling to ensure that the sample adequately represented all different sectors and sizes of firm, using the combination of CBA Size measure (small, medium or large) and the firm's Primary Sector. Given that there are 7 primary sectors, this created $7 \times 3 = 21$ possible strata.

We randomly sampled 100 firms from the cleaned FCA register from each strata. As some strata contained fewer than 100 firms in total, the final number of sampled firms was 1,550.

Additionally, we added some firms of particular interest to the sample, which we labelled as targeted firms. We initially excluded these from the weighted analysis, but we subsequently assigned weights to them based on their stratum. This was a necessary step to increase the effective sample size due to a low response rate (see section 'User survey weighting' of this Annex).

User survey weighting

For our analysis of the user survey, we used weights to account for the selection probability and the non-response rate. We weighted all responses from the user survey so that our estimates on the user population are representative of the regulated firms in our perimeter. Our weighting process *assumes* that non-response is random, ie, that the respondents are not systematically different from the non-respondents.

We employed a two-stage weighting approach to ensure representative population estimates. First, we calculated base weights to address the disproportionately stratified random sampling design, where we assigned each respondent a weight equal to the inverse of their probability of selection (population stratum size divided by sample stratum size). This adjustment corrects for the intentional oversampling or undersampling within each strata, and ensures coverage of different types of firms. Using these sampling weights, we extrapolated for all our regulated firms (42,000).

Second, we adjusted the weights to account for differential response rates across strata, based on the overall response rate (12%) and the question-specific response rates. We calculated these adjustments as the ratio of sampled units to actual respondents within each stratum, multiplied by the base weights. We also adjusted our weights for the inclusion of the 12 targeted firms who responded to the survey. The final weights scale the responses up to represent the FCA Register population, compensating for both the sampling design and non-response.

Where it was proportionate to do so, such as in key estimates of the CBA, we used bootstrapping procedures to obtain confidence intervals. Bootstrapping can also reflect the uncertainty in our estimates coming from the small sample size compared to the population of firms, in particular within each stratum.

User sample characteristics

The characteristics of our *unweighted* sample of ESG rating users is summarised in Table A1.1.

Table A1.1: Characteristics of our unweighted sample

Primary Sector	CBA size	Sample size	Does <i>not</i> use ESG ratings	Uses ESG ratings
General Insurance & Protection	L	6	1	5
	M	13	6	7
	S	10	9	1
Investment Management	L	12	1	11
	M	23	6	17
	S	16	6	10
Pensions & Retirement Income	L	4	0	4
	M	8	1	7
	S	5	4	1
Retail Banking	L	8	1	7
	M	8	7	1
	S	7	5	2
Retail Investments	L	0	0	0
	M	23	8	15
	S	14	7	7
Retail Lending	L	2	2	0
	M	8	7	1
	S	1	1	0
Wholesale Financial Markets	L	9	0	9
	M	9	6	3
	S	9	7	2
Proxy Advisor	N/A	1	0	1

Total	196	85	111
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Notes: FCA calculations based on ESG rating user survey of Q4 2024. Figures are *not* weighted.

Details of bootstrapping steps

The bootstrapping procedure is a type of simulation exercise, and we generally followed the following steps to do it:

- Assume we want to estimate the weighted mean of a given quantity, say Z^* .
- Step 1: We estimate the weighted mean, Z^* , using the original and observed sample. This is our point estimate.
- Step 2: We create a ‘bootstrap sample’ of the same size as the observable one by randomly sampling with replacement the existing observations within each stratum.
- Step 3: We rescale the weights within each stratum of the bootstrap sample so their sum matches the sum of the weights of that stratum in the observed data.
- Step 4: We compute and record the weighted mean, Z_1 , of the bootstrap sample with the rescaled weights.
- Step 5: We repeat steps 2 to 4 for 2,000 trials. So, in the end we have 2,000 different estimates of the weighted mean, based on the 2,000 bootstrap samples. That is, $Z_1, Z_2, \dots, Z_{2000}$.
- Step 6: We compute the 95% confidence interval from the 2,000 bootstrap weighted means. The lower bound is the 51st ($0.025 \times 2,000 + 1$) largest weighted mean from the bootstrap weighted means. The upper bound is the 1,950th ($0.975 \times 2,000$) largest bootstrap weighted mean.

Estimated resources users spend on assessments

We estimate the cost of assessments per year per firm, based on the FTE hours the firms reported in the user survey they spent on an ongoing basis in order to assess the ‘overall suitability, quality and/or reliability of the ESG ratings that they receive externally’ (question 21-b of the survey).

This question could only be answered by firms that (i) use external ESG ratings (paid for, free or both), and (ii) responded in a preceding question that they use internal resources to assess the overall suitability, quality and/or reliability of the ESG ratings that they receive externally. For the firms that were *not eligible* to answer the question on how much FTE they spent on such assessments because they did not satisfy these two criteria, we assumed that they spent 0 FTE (122 observations). This does not affect our estimates. This adjustment was necessary to adjust the sampling weights for the non-response rate to that question and prevent all sampling weights from being over-adjusted. Counting observations with an assessment cost of zero as non-responses would underestimate the response rate and significantly overinflate the estimated total FTE spend.

Our estimates are based on 161 observations, including 122 firms who did not use external ESG ratings or did not assess the ESG ratings with their own resources (assumed value of 0 FTE). We note that, of the 73 firms that were eligible to answer the

question on the FTE they spent on assessments, 39 responded and 34 did not. Naturally, we treat the 34 that did not respond but were eligible to as missing.

Additionally, we winsorized the reported FTE values at the 95th percentile, based on the 39 responses to that question. That is, we replaced two outlier values, 23 and 35 FTE per year, with 14.2 FTE per year. Because of the small sample, we considered winsorization to avoid over-estimating the assessment costs. We use bootstrapping confidence intervals to demonstrate the uncertainty of our estimates.

Analytical confidence interval for average FTE

To estimate the average FTE that firms dedicate to handling deficiencies related to ESG ratings, we multiply the estimated average of two other variables of the survey. That is, we multiply *FTE effort per firm per year on assessments* by the *% of FTE effort spent on resolving issues and requesting information*. We are unable to use bootstrapping methods for the product of the two variables, because of sample limitations when we multiply them.

We assume that both variables are log-normally and independently distributed. Additionally, to simplify the exposition, we annotate the product of the two variables with the letter Y . That is:

$$Y = [FTE\ effort\ per\ firm\ per\ year\ on\ assessments] \\ \times [\% \text{ of FTE effort spent on resolving issues and requesting information}],$$

Where, for expositional purposes, we have omitted a subscript indicating that each of these variables varies with each rating provider.

First, we estimate the average of the product of the two variables. Given we assumed that they are log-normally distributed, the average of their product is:

$$\mu_Z = \ln(\mu_{X1}) + \ln(\mu_{X2}) = \ln(2.96) + \ln(21\%) = -0.475.$$

Variables $X1$ and $X2$ are *FTE effort per firm per year on assessments* and *% of FTE effort spent on resolving issues and requesting information*, respectively.

Second, we use their 95% bootstrap confidence intervals to estimate their respective standard deviation from the formula:

$$\sigma_X = \frac{(\ln(U_X) - \ln(L_X))}{2 \times 1.96}.$$

X is either of the two variables, $X1$ and $X2$; U_X (L_X) is the upper (lower) limit of X 's 95% confidence interval. This formula follows directly from the assumption that the variables are log-normally distributed.

The 95% bootstrap confidence interval of the FTE effort is 0.2 – 6.97, and that of the *% of FTE effort spent on resolving issues and requesting information* is 11% – 34%. Based on these, we estimate their standard deviations to be 0.906 and 0.288, respectively.

Third, we estimate standard deviation of the product of the two variables using the formula:

$$\sigma_Z = \sqrt{\sigma_{X1}^2 + \sigma_{X2}^2} = \sqrt{0.906^2 + 0.288^2} = 0.951.$$

Finally, the formula for the 95% confidence interval is:

$$\begin{aligned}
 CI_Z(95\%) &= \left(\exp(\mu_Z - 1.96\sigma_Z), \exp(\mu_Z + 1.96\sigma_Z) \right) = \\
 &= \left(\exp(-0.475 - 1.96 \times 0.951), \exp(-0.475 + 1.96 \times 0.951) \right) = \\
 &= (0.1, 4.0).
 \end{aligned}$$

Annex 2: ESG rating user survey questions

This annex includes the questions in our survey of ESG rating users, including question routing in square brackets. We also included a question set relating to firms' use of sustainability-related information to inform ongoing policy development on sustainability-related disclosures. As they do not relate to the findings in this Research Note, they are not included below.

ESG rating user survey questions

Respondent details

1. Your name
2. Your position
3. Your organisation
4. FRN
5. Your email address

Your firm's use of ESG ratings

6. Does your firm currently use any type of ESG ratings (please refer to definition in cover email) that are either internally produced by your own firm or externally provided by another firm? **[Select all that apply]**
 - a. Yes, we use those we produce internally
 - b. Yes, we use those produced by companies within our corporate group **[also classified as internally produced]**
 - c. Yes, we use those that are externally produced and paid for
 - d. Yes, we use those that are externally produced and free
 - e. No **[if selected: end survey, but ask Q7 first]**
 - f. Don't know **[if selected: end survey]**
7. **[If in Q6 they answered they *did not* use any of the ESG ratings]** Thinking back to three years ago, did your firm use any type of ESG ratings (please refer to definition in cover email) that were either internally produced by your own firm or externally provided by another firm? **[Select all that apply]**
 - a. Yes, we used those we produce internally
 - b. Yes, we used those produced by companies within our corporate group
 - c. Yes, we used those that are externally produced and paid for
 - d. Yes, we used those that are externally produced and free
 - e. No
 - f. Don't know
8. **[If in Q6 they answered they used any of the ESG ratings]** What do you use ESG ratings for?

External **[if in Q6 they answered they used any of the externally produced ESG ratings]**

 - a) Investment analysis and decision making (eg, securities and/or asset selection, stewardship)

- b) Investment mandate development and/or asset manager selection
- c) Reporting & marketing (eg, to clients, beneficiaries, regulators, wider stakeholders)
- d) Benchmark and/or index construction
- e) Retail investment or pension advisory services
- f) Non-retail investment advisory services
- g) Insurance underwriting
- h) Commercial and retail lending decisions
- i) Investment research development
- j) Other (please specify): [Free text]

Internally produced [if in Q6 they answered they used any of the internally produced ESG ratings]

- a) Investment analysis and decision making (eg, securities and/or asset selection, stewardship)
- b) Investment mandate development and/or asset manager selection
- c) Reporting & marketing (eg, to clients, beneficiaries, regulators, wider stakeholders)
- d) Benchmark and/or index construction
- e) Retail investment or pension advisory services
- f) Non-retail investment advisory services
- g) Insurance underwriting
- h) Commercial and retail lending decisions
- i) Investment research development
- j) Other (please specify): [Free text]

9. [If in Q6 they answered they used any of the externally produced ratings] Do you use financial products or services from third parties which incorporate ESG ratings? If yes, what type of products are these?

- a) Investment products
- b) Benchmarks
- c) Insurance products
- d) Proxy advisor services
- e) External reviews on ESG labelled debt instruments (eg, green bonds)
- f) No
- g) Other (please specify)

10. [If in Q6 they answered they used any of the internally produced ESG ratings]

Where you or a company within your group produce internal ratings, do you incorporate these ESG ratings as part of any financial products or services?

- a) Investment products
- b) Benchmarks
- c) Insurance products
- d) Proxy advisor services
- e) External reviews on ESG labelled debt instruments (eg, green bonds)
- f) No
- g) Other (please specify)

We want to understand more about which ESG rating provider you use to help us better understand the market and your preferences.

11. [If in Q6 they answered they used externally produced and paid for ESG ratings]

From which external ESG rating provider(s) do you *purchase* ratings from? In your response, please specify the legal entity of the ESG rating provider(s). For

example, the entity Ratings ABC (UK) Ltd (based in the UK) is distinct to Ratings ABC Inc (based in the US). We'd consider the primary provider to be the provider you most frequently use or that relates to your largest volume of business.

- a. Primary provider: [Open text]
- b. Other providers: [Open text, option to add more]

12. [If they answered Q11] How much, **in GBP**, do you estimate you spent **in total** over the last year to purchase ESG ratings from the providers you have indicated? [Free text, include "don't know" option]

13. [If in Q6 they answered they used externally produced and paid for ESG ratings] Thinking back to three years ago, do you estimate your **total** spending per year to purchase ESG ratings from external providers was higher, lower or the same?

- a. Higher
- b. Lower
- c. The same

14. [If in Q6 they answered they used externally produced and paid for ESG ratings] If you are part of a group, which entity usually holds the contract with the ESG rating provider?

- a. The parent company, and the ratings are shared among other entities within the group
- b. Our firm as a subsidiary holds the licence independently from the parent company, and we cannot share the ESG ratings with other entities within the group
- c. Our firm as a subsidiary holds the licence independently from the parent company, and we can share the ESG ratings with other entities within the group
- d. Another firm in our group, but not the parent, holds the licence and the ratings can be shared with other entities in the group.
- e. Other (please specify)

15. [If in Q6 they answered they used externally produced and free of charge ratings] From which external ESG rating provider do you get ratings from *for free*? In your response, please specify the legal entity of the ESG rating provider. For example, the entity Ratings ABC Ltd (based in the UK) is distinct to Ratings ABC Inc (based in the US). We'd consider the primary provider to be the provider you most frequently use or that relates to your largest volume of business.

- a. Options as Q11 above

Resources for ESG ratings

We want to understand whether you face any challenges when looking to use or using ESG ratings.

16. What, if any, of the following challenges do you face in the market? [Choose all that apply]

- a. We find it difficult to understand what an ESG rating is supposed to measure due to a lack of information provided
- b. We find it difficult to understand what an ESG rating is supposed to measure due to the complexity of information provided
- c. We find it difficult to access the methodology and/or data sources underpinning an ESG rating due to a lack of information provided

- d. We find it difficult to understand the methodology and/or data sources underpinning an ESG rating due to the complexity of the information provided
- e. We consider there are shortcomings in the systems and controls of the ESG rating provider(s) we use (eg, use of outdated data points or erroneous estimated data points)
- f. We have concerns in the quality and integrity of the data underpinning ESG ratings due to shortfalls in the availability and quality of corporate reporting, where ESG rating provider may not be able to address those.
- g. We have concerns regarding the impact of existing or potential conflicts of interest on the development of ESG ratings
- h. We have concerns regarding the (lack of) governance arrangements in place to promote the delivery of high-quality, independent and reliable ESG ratings
- i. Other (please specify): [Free text]

We want to understand whether and how you assess the ESG ratings you use, the issues you face when obtaining and using such ratings, and what actions you take to address those issues.

17. [If in Q6 they answered they used any externally produced ESG ratings] Do you use any internal staff time and/or automated processes to assess overall suitability, quality and/or reliability of the ESG ratings that *you receive externally*?
 - a. Yes
 - b. No, but we outsource this assessment (eg, to consultancy firms)
 - c. No, we do not assess the above at all
 - d. Don't know
18. [If in Q17 they answered they outsourced the assessment] How much, **in GBP**, do you estimate you spent in total over the last year to outsource the assessment of the ESG ratings that you receive externally?

[Number in GBP]
19. [If in Q6 they answered they used ESG ratings produced by companies within the corporate group they are part of] Do you use any internal staff time and/or automated processes to assess overall suitability, quality and/or reliability of the ESG ratings that you receive from another entity within your group?
 - a. Yes
 - b. No, but we outsource this assessment (eg, to consultancy firms)
 - c. No, we do not assess the above at all
 - d. Don't know
20. [If in Q17 and/or Q19 they answered they did not assess the ESG ratings] Why do you not assess yourselves the suitability, quality and/or reliability of ESG ratings?
 - a. Because it is too costly for our firm
 - b. Because we rely on the brand and/or size of the ESG rating provider
 - c. Because we trust the ESG ratings produced by companies within our corporate group
 - d. Don't know
 - e. Other [Free text]
21. [If in Q17 they answered they assessed the externally produced ESG ratings with internal staff time and/or automated processes] Approximately how much staff

time in **FTE** do you use to assess the suitability, quality and/or reliability of the ESG ratings (excl. staff time per year for using such ratings)? For example, if you have 2 employees spending half a day every month on this, then this would be equivalent to 0.05 FTE (2 employees * 0.5 day per month * 12 months / 220 working days in a year)

- a. On a one-off basis, when you start transacting with a (new) provider or a current provider updates its methodology: [Number]
- b. On an ongoing basis, in FTE per year: [Number]
- c. Don't know

22. [If in Q17 they answered they assessed the externally produced ESG ratings they receive (either with internal resources or by outsourcing the assessment)] If you find issues when assessing the ESG ratings or the policies & processes around their development, how easily can you – on average – communicate with the rating provider to have this issue fixed? Please choose the options that best apply.

- a. Issues with ratings transparency, accuracy, validity, weighting or other methodological issues
 - i. We never or rarely find any issues.
 - ii. We sometimes or often find issues, but the provider resolves them within a satisfactory timeframe.
 - iii. We sometimes or often find issues, and it takes longer than a satisfactory amount of time for the provider to resolve them.
 - iv. We sometimes or often find issues that the provider cannot resolve permanently.
 - v. We sometimes or often find issues, but do not know how to or are unable to report them to the provider.
 - vi. We find it challenging to spot issues due to a lack of clarity in the disclosures provided to us.
- b. Issues with rating provider's governance, systems and controls, or management and disclosure of (potential) conflicts of interest
 - vii. Options i.-vi. as above

23. [If in Q17 they answered they assessed the externally produced ESG ratings they receive (either with internal resources or by outsourcing the assessment)] On average, how easily available is the information relevant for assessing the ESG ratings and the policies & processes around their development?

- a. Information about data sources, data collection or data accuracy
 - i. Always readily available without needing to request it
 - ii. Available upon request and usually provided promptly
 - iii. Available upon request but often delayed
 - iv. Available but requires an additional fee
 - v. Information is not provided, even on request
 - vi. We do not require that information
 - vii. Other (please specify): [Free text]
 - viii. Don't know
- b. Information about the methodology underpinning the development of the ratings (eg, weighting of underlying data or underlying ratings, ESG factors selection)
 - i. Options i.-viii. as above
- c. Information about the provider's governance arrangements, and/or management of (potential) conflicts of interest
 - i. Options i. – viii. as above

24. [If in Q21 they provided estimates of the internal resources they spend to assess the ESG ratings] Of the FTE you reported in Question 21b that you use on an ongoing basis, what percentage (%) of it on an annual basis do you estimate is because of:

- Identifying and resolving issues that you find with the ESG rating provider, and/or
 - Requesting relevant information when that is not easily available
- a. 0%
 - b. 1-10%
 - c. 11-20%
 - d. 21-30%
 - e. 31-40%
 - f. 41-50%
 - g. 51-60%
 - h. 61-70%
 - i. 71-80%
 - j. 81-90%
 - k. 91-100%

We want to understand more about the reasons why you use your selected ESG rating provider and how you chose them, to help us further understand the market and your preferences.

25. [If they get externally produced ESG ratings (paid for or free) from more than one provider (based on Q11); or, if in Q6 they chose more than one option (indicating multiple providers)] Why do you use multiple ESG ratings sources (internal and/or external)? [Choose all that apply]

- a. To mitigate the risk of data or ratings inaccuracies or biases
- b. Different ESG ratings offer different coverage of rated entities or rated items (eg, funds), and/or scope of ESG factors
- c. To ensure continuity of information in case one provider enters into an insolvency procedure
- d. We purchase another product that includes ESG ratings regardless (eg, broader data subscriptions such as a data terminal)
- e. To sense check our internally produced ESG ratings
- f. Other (please specify): [Free text]

26. [If in Q6 they answered they used any of the externally produced ESG ratings]

What were the main reasons you selected your current *external* provider(s)?

Select up to 5.

- a. Breadth of coverage of the rating provider
- b. Reputation of the provider
- c. Cost and pricing structures
- d. Quality, comprehensiveness and accuracy of the data underpinning ratings
- e. Regular and comprehensive reviews by the provider of their product's methodology
- f. Transparency of the methodology and data sources underpinning the ESG ratings
- g. Specialisation in specific market segments
- h. Speed and timeliness of ratings updates and delivery
- i. Customisation and flexibility of services

- j. Integration with existing systems and tools
- k. Customer service and support
- l. Recommendations from other firms
- m. Ratings included as part of another product (eg, wider data subscription, etc)
- n. To the extent they are known, internal governance processes the provider has in place
- o. Other (please specify): [Free text]

27. [if in Q6 they answered they used any of the externally produced ESG ratings] If you were looking to switch providers, which of the following factors would you now prioritise?

- b. Options a-o. as for Q26

Impact of ESG ratings

We want to understand the impact of how ESG ratings are used. This will help us further understand the market and risks of harm.

28. [If in Q8 they answered they used (externally or internally produced) ESG ratings for any of: investment analysis and decision making; investment mandate development and/or asset manager selection; commercial and retail lending decisions] In the context of asset management, asset ownership, and/or credit origination, what is the estimated market value of assets (GBP equivalent) for which you use ESG ratings? [Number, option for Don't know]
29. [If Q28 answered:] Of those assets, what percentage is publicly traded and what is over-the-counter? [Percentage]
30. [If in Q8 they answered they used (externally or internally produced) ESG ratings for Benchmark and/or index construction] What is the aggregate market value (GBP equivalent) of all financial instruments, fund units, contracts or other assets that reference (i.e use the output value) of the benchmark(s)/indices for which you use ESG ratings? [Number]
31. [If in Q8 the answered they used (externally or internally produced) ESG ratings for benchmark and/or index construction] What is the value in GBP of contracts underlying the benchmark(s) for which you use ESG ratings? [Number]
32. [If in Q8 they answered they used (externally or internally produced) ESG ratings for insurance underwriting] What is the approximate value of the liabilities, in GBP, of all your insurance underwriting contracts and of those that utilise or rely upon ESG ratings?
- a. GBP value of liabilities of all insurance contracts: [Number]
 - b. GBP value of liabilities of insurance contracts that utilise or rely upon ESG ratings: [Number]
33. [If in Q8 they answered they used (externally or internally produced) ESG ratings for retail investment or pension advisory services] How many retail consumers use financial products you provide or advise on that rely on, use, or refer to ESG ratings within a year? [Number]

Annex 3: ESG rating provider survey questions

This annex includes the questions in our survey of potential ESG rating providers, including question routing in square brackets.

ESG rating provider survey questions

Respondent details

Firm name

Email address

Identifiers as relevant:

- a. Firm Reference Number (FRN) (if regulated by the FCA)
- b. Legal Entity Identifier (LEI)
- c. Company Registration number (CRN) if it is registered in the UK
- d. Local Tax Identification Number (TIN) if not registered in the UK.

Product offering and firm characteristics

In this section, we ask questions aiming at identifying the products that you offer and whether you expect them to be captured by the future ESG ratings regime. We also want to understand other characteristics of your business, such as an overview of your corporate structure and location(s).

1. Do you or, *where applicable*, any entities within your group offer any ESG products or services that you expect would fall within scope of FCA regulation as per the draft legislation set out by the UK government? Please refer to the cover letter for more information. [Select all that apply]
 - a. Yes, and these are free
 - b. Yes, and these are paid for
 - c. No [Exit survey, but ask Q2 first]
2. [If in Q1 they answered they did *not* offer any ESG products or services that would fall within scope] Which other ESG products do you or, *where applicable*, any entities within your group offer (directly or indirectly) that you do not expect to fall within the scope of FCA regulation, as per the UK government's draft legislation? [Select all that apply]
 - a. We do not sell nor make available any type of ESG products in the UK
 - b. ESG metrics (eg, implied temperature rise, value at risk)
 - c. External reviews (eg, second-party opinions)
 - d. Screening products (eg, green revenue data, controversial weapon screening, news alerts)

- e. Compliance products (eg, TCFD reporting tool, taxonomy alignment assessment)
 - f. Other – please specify
3. [If in Q1 they answered they offered ESG ratings that would fall in scope either for free or paid for] Which ESG products do you or, *where applicable*, any entities within your group offer and to which extent do you expect each of these to fall within scope of FCA regulation (as per the draft legislation set out by the UK government)?
- a. General/aggregate ESG ratings (whether focused on impacts, risks and/or opportunities)
 - i. We offer (some of) these products and expect them to be in scope
 - ii. We offer (some of) these products and expect them to be out of scope
 - iii. We offer (some of) these products but we are unsure whether they would be in scope
 - iv. We do not offer these products
 - b. Specific/thematic ESG ratings (eg, biodiversity ratings, controversy scores, low carbon transition ratings)
 - i. Options i.-iv. as above
 - c. ESG metrics products (eg, implied temperature rise, value at risk)
 - d. External reviews (eg, second-party opinions)
 - i. Options i.-iv. as above
 - e. Screening products (eg, green revenue data, controversial weapon screening, news alerts)
 - i. Options i.-iv. as above
 - f. Compliance products (eg, TCFD reporting tool, taxonomy alignment assessment)
 - i. Options i.-iv. as above
4. Do you or, *where applicable*, any entities within your group offer any other ESG products that are not covered in Q3 above? Please indicate whether you expect them to be in or out of scope of FCA regulation.
- a. [Allow 10 rows of free text box. For each row give options:]
 - i. We expect this to be in scope
 - ii. We expect this to be out of scope
 - iii. We are unsure whether this would be in scope
5. Are you a standalone entity or part of a group?
- a. Standalone
 - b. Part of a group (incl. parent company)
6. [If in Q5 they answered they were part of a group] Are you the only entity within your group offering ESG products that you expect would fall within scope of FCA regulation (as per the draft legislation set out by the UK government)?
- a. Yes
 - b. No, there are multiple such entities within our group
7. Do you offer ESG ratings to the following types of users?
 [If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"]

- a. Retail consumers – direct provision
 - i. Yes
 - ii. No
 - iii. Don't know
 - b. Retail consumers – indirect provision (eg, via a third party)
 - i. Options i.-iii. as above
 - c. Corporates and financial services firms – direct or indirect provision
 - i. Options i.-iii. as above
 - d. Other – please specify: [Open text box]
8. Do you offer ESG ratings to users located outside the UK? [Select all that apply]
[If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"]
- a. Yes – to users based in the US
 - b. Yes – to users based in the EU
 - c. Yes – to users based in other jurisdictions.
 - d. No
9. *[If in Q5 they answered they were part of a group]* As an ESG rating provider, what is your legal setup in the UK? [Select all that apply]
- a. As a UK incorporated entity (or UK incorporated subsidiary of our parent company)
 - b. As a UK branch, establishment or office of a non-UK incorporated entity
 - c. As a non-UK incorporated firm that provides ESG ratings directly into the UK without having a UK presence
 - d. As a non-UK incorporated firm that provides ESG ratings into the UK via third-party distributors only

10. *[If in Q5 they answered they offered they were a standalone entity]* Please provide the location of incorporation of the headquarters of your entity and the location of the registered office.

Location of incorporation of headquarters

Drop down with location options UK, EU, US, Europe (non-EU), Other

Location of registered office

Drop down with location options UK, EU, US, Europe (non-EU), Other

11. *[If in Q5 they answered they were part of a group]* Please provide the name of the group's parent company and, if possible, at least one of the following:

Name	Firm Reference Number (FRN) if regulated by the FCA	Company Registration Number (CRN) if it is registered in the UK	Local Tax Identification Number (TIN) if not registered in the UK
<i>Open text</i>	<i>Open Text</i>	<i>Open Text</i>	<i>Open Text</i>

Please also provide the location of incorporation of the headquarters of the parent company and the location of the registered office.

Location of incorporation of headquarters

Drop down with location options: UK, EU, US, Europe (non-EU), Other

Location of registered office

Drop down with location options: UK, EU, US, Europe (non-EU), Other

Business model and organisational setup

This section aims to help us understand your organisational setup and your business model. Where we refer to ESG ratings, this is as per the draft legislation set out by the UK government. Please refer to the cover letter for more information.

Where we are asking for certain information including revenue and FTE figures, we recognise there may be limitations to your response. So, please provide your estimates on a best efforts basis, and you have the opportunity to provide accompanying explanation where needed.

12. Do you or, where applicable, other entities within your group offer any ESG ratings to the rated entities or issuers of rated instruments? [Select all that apply]
 [If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"]
 - a. Yes – paid for
 - b. Yes – for free
 - c. No

13. [If in Q5 they answered they were a standalone entity] Do you offer other **paid** professional products and/or services to the rated entities or issuers of rated instruments? [Select all that apply]
 - a. ESG and/or other advisory or consulting services
 - b. ESG and/or other data products
 - c. Other – please specify [Open text box]
 - d. No, we do not offer any other paid products and/or services to the rated entities

14. [If in Q13 they answered they offered other paid for services] What was the gross revenue, in GBP, of your firm in 2023 from providing the aforementioned professional services and/or products to the rated entities or issuers of rated instruments? Please provide your best estimate.
 [Numerical input box]

15. [If in Q5 they answered they were part of a group] Do you or other entities within your group (incl. parent company) offer other **paid** professional products and/or services to the rated entities or issuers of rated instruments? [Select all that apply]
 [If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"]
 - a. ESG and/or other advisory or consulting services
 - b. ESG and/or other data products
 - c. Other – please specify [Open text box]
 - d. No, we do not offer any other paid products and/or services to the rated entities

16. [If in Q15 they answered they or other entities within their group offered other paid for services] What was the gross revenue, in GBP, of your group (on a consolidated basis) in 2023 from providing the aforementioned professional services and/or products to the rated entities or issuers of rated instruments? Please provide your best estimate.

[If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"]

[Numerical input box]

If relevant, description of estimates (eg, caveats, assumptions) [Open text box]

17. What was your gross revenue, in GBP, from providing ESG ratings to clients in the UK and elsewhere in 2023? Please provide your best estimate.

[If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"]

- a. [If in Q8 they answered they offer ESG ratings to users located outside the UK] All markets, including the UK [Numerical input box]
- b. UK only [Numerical input box]

If relevant, description of estimates (eg, caveats, assumptions): [Open text box]

18. What was your gross revenue, in GBP, from providing ESG ratings to clients in the UK and (if applicable) elsewhere from 2018 to 2022? If possible, please provide your estimate for each year separately. Otherwise, please provide an estimate for the average annual revenue for the five-year period.

[If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"]

- a. Numerical input boxes for estimate for each year from 2018 to 2022
- b. Numerical input boxes for estimated average annual revenue from 2018 to 2022

If relevant, description of estimates (eg, caveats, assumptions): [Open text box]

19. What proportion (%) of your revenue from ESG ratings in 2023 can be attributed to the following categories? [The % from all categories should sum up to 100%]

[If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"]

- a. One-off fixed or discretionary payment: 0-100% [Numerical input box]
- b. Subscription for ESG ratings only (eg, an annual subscription): 0-100% [Numerical input box]
- c. Subscription as part of a wider data package (eg, an annual subscription): 0-100% [Numerical input box]

20. In 2023, how many UK-domiciled users (firms or retail consumers) accessed your ESG ratings directly from the UK and (if applicable) elsewhere? Please provide your best estimate.

[If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"]

- a. *[If in Q8 they answered they offer ESG ratings to users located outside the UK] All markets, including the UK [Numerical input box]*
- b. UK only [Numerical input box]

If relevant, description of estimates (eg, caveats, assumptions): [Open text box]

21. *[If in Q7a they answered they offered ESG ratings to retail consumers directly]* What percentage (%) of the above do you estimate were retail consumers?

[If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"]

Percentage:

If relevant, description of estimates (eg, caveats, assumptions): [Open text box]

22. Do you have licensing agreements in place that restrict the ability of the client to disclose the ESG ratings or restrict the use of the ESG ratings you provide?

[If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"]

- a. Yes. Please summarise the restrictions [Open text box]
- b. Yes, for some products only. Please specify the products and summarise the restrictions [Open text box]
- c. No

23. *[If in Q5 they answered they were part of a group]* Is the production and distribution of the ESG ratings that you provide in the UK all carried out by the same entity?

- a. Yes. Please specify name of entity [Open text box]
- b. No.

24. *[If in Q5 answered they were part of a group]* What is the location of the accountable executive(s) or manager(s) overseeing the production and distribution of your ESG ratings? Please select all that apply, where oversight takes place across multiple locations. *When answering, please consider that the following functions are part of the production of the ESG ratings: designing, updating and implementing the methodology; data collection and cleaning; validation and/or quality assurance; distribution.* [Select all that apply]

[If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"]

- a. UK
- b. Outside the UK

25. How many FTE hours in total does your firm use for the production and/or distribution of all your ESG ratings offered in the UK market and (if applicable) elsewhere? Please provide your best estimate.

[If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"]

a. Total: [Numeric input box]

26. Of the employees contributing to the FTE hours set out in the previous question, how many are based in the UK? Please fill in your best estimate for the number of people in each of the following roles.

a. Executive directors and/or board members: [Numeric input box]

b. Managers: [Numeric input box]

c. Other full-time staff (eg, analysts involved in data collection and cleaning, production of the ESG ratings and their methodology, quality assurance, etc): [Numeric input box]

Production costs and processes

In this section, we want to understand the processes and types of costs associated with producing and distributing your ESG ratings. This will help us understand how our ESG ratings and wider proposals to enhance corporate sustainability reporting could affect these processes and costs.

Where we are asking for information relating to your costs, we recognise there may be limitations to your response. So, please provide your estimates on a best efforts basis, and you have the opportunity to provide accompanying explanation where needed.

27. Which sources do you use to compile and assess sustainability-related information to produce your ESG ratings? [Select all that apply]

[If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"]

- a. Direct surveys of companies/issuers
- b. Other form of direct engagement with companies (excl. survey)
- c. Reviewing companies' public sustainability reporting (eg, annual reports or sustainability reports)
- d. External consultants (incl. consultants conducting surveys/interviews with companies to gather additional sustainability-related information)
- e. External sustainability data products, repositories and tools
- f. Other – please specify: [Open text box]

28. What percentage (%) of the data sources used as inputs for your ESG ratings is from external data providers, rather than directly from the rated entities?

[If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"]

[Numeric input box]

29. In 2023, how much do you estimate was the total cost, in GBP, associated with producing and distributing ESG ratings for all the markets that you serve? Please consider the costs of the inputs that directly contribute to the production of the ESG ratings. Some of these costs can (but are not necessarily limited to) capture:

the conception and design of the methodology for the ratings; the input data collection and cleaning; the implementation of the methodology; and the distribution of these products to the extent it is done by your firm; any governance arrangements (eg, sign-off of a new methodology or of quality assurance).

[If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"]

- a. All markets, including the UK: [Numeric input box]
- b. UK market only: [Numeric input box]

Description of estimates (eg. caveats, assumptions): [Open text box]

30. How much do you estimate was the *total cost*, in GBP, associated with producing and distributing ESG ratings for all the markets you served between 2018 and 2022? If possible, please provide your estimate for each year separately. Otherwise, please provide an estimate for the average annual cost for the 5-year period. *Please consider the costs of the inputs that directly contributed to the production of the ESG ratings products. Some of these costs can (but are not necessarily limited to) capture: the conception and design of the methodology for the ratings; the input data collection and cleaning; the implementation of the methodology; and the distribution of these products to the extent it is done by your firm; any governance arrangements (eg, sign-off of a new methodology or of quality assurance).*

[If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"]

- a. [Numeric input boxes for estimate for each year from 2018 to 2022]
- b. [Numeric input box for estimated average annual cost from 2018 to 2022]

Description of estimates (eg caveats, assumptions): [Open text box]

31. On average, what percentage does each of the following contribute to the gross cost of producing and distributing ESG ratings? Please provide your best estimate even if approximate. *If you have an estimated range (eg, between 20%-40%), please fill in the midpoint (eg, 30%). Where a category did not contribute to the costs associated with producing and distributing the ESG ratings, please fill in with 0. Percentages should add up to 100%.*

[If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"]

- a. Conception or design of the methodology and its implementation for the production of the ESG ratings (incl. scope determination of the product and, where relevant, factors to be assessed): [Open numeric input box for %]
- b. Data collection and cleaning (for data used as input in your ESG ratings): [Open numeric input box for %]
- c. Distribution of the ESG ratings to users: [Numeric input box for %]
- d. Other – please specify: [Open text box for processes; Open numeric input for %]

32. How do you expect your total cost to produce and distribute ESG ratings in the UK market and elsewhere would change if:

- UK public company reporting included more consistent and comparable (eg, across issuers) climate-related metrics and targets, and
- UK public company reporting was extended to cover wider (non-climate) sustainability-related risk and opportunities

Please indicate whether the costs would increase, decrease or remain unchanged, and provide your best estimate for the expected % change in GBP spend per year. Include also a commentary explaining your estimate and outlining any other relevant details (eg, caveats).

[If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"]

Increase/Decrease/No change	Best estimate (in % change)	Description of estimate (eg, caveats)
<i>[Drop down with Increase/Decrease/No Change]</i>	<i>[Numeric input box]</i>	<i>[Open text box]</i>

Existing processes

With the following questions, we want to understand what processes and policies you have in place that relate to: systems and controls, conflicts of interests, transparency, and governance arrangements. We are considering a range of policy options, and we would like to understand the current industry standards that underpin the production and distribution of ESG ratings, in light of the ICMA-owned DRWG voluntary code of conduct.

Systems and controls

33. Do you have any of the following policies and procedures related to systems and controls underpinning your ESG ratings? *[Select all that apply]*

[If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"]

- Ongoing monitoring and updating of ESG ratings** – where applicable and in accordance with methodology
- Regular review of methodology, with recording and communication** of methodology changes and impacts of those changes
- Ensuring sufficient technological capability** to deliver high-quality ESG ratings
- Quality controls** including both (i) procedural checks to ensure that the methodology and internal processes are followed correctly, and (ii) holistic checks to ensure that the process considering the plausibility, coherence and logic of the product is sound.
- Quality control framework** allowing for the appropriate and timely consideration of information brought to your attention by rated entities or users
- Maintenance of internal records** and management, protection and limitations around use of **non-public information** (eg, confidentiality agreements)
- Clear and consistent contact point** for rated entities to interact with
- Communication with rated entities** when they are in the process of being assessed and of the principal categories of data on which the relevant ESG rating is based ahead of its publication – to the extent it is feasible and appropriate

- i. Other – please specify [Open text box]
- j. We do not have any policies and procedures related to systems and controls

Below, we would like to understand the costs associated with adopting the policies and procedures you indicated having in the previous question.

34. [If in Q33 they answered they had implemented at least one of the systems and controls processes] What do you estimate were the resources used on a **one-off** basis, in FTE hours, to set up these policies and procedures? *When estimating, consider as an example the incremental impact of the following activities that you might have needed to undertake: developing any documentation, initial staff training, technology acquisition, setting up any IT systems, setting up any governance and/or oversight frameworks, etc.*

[If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"]

- a. [Numeric input box]

If relevant, description of estimates (eg caveats, assumptions): [Open text box]

35. [If in Q33 they answered they had implemented at least one of the systems and controls processes] What percentage of the **total cost** associated with producing and distributing ESG ratings is incurred to maintain these policies and procedures? *When estimating, consider as an example the incremental impact of the following activities that you might have needed to undertake: maintaining and updating documentation, ongoing staff training, ongoing maintenance of technology and IT systems, ongoing costs of any governance and/or oversight frameworks, other additional ongoing staff time that is necessary for these policies and procedures, etc.*

[If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"]

- a. [Numeric input box]

If relevant, description of estimates (eg caveats, assumptions): [Open text box]

Management of conflicts of interest

36. Do you have any of the following policies and procedures on existing or potential conflicts of interest in the production and distribution of your ESG ratings? [Select all that apply]

[If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"]

- a. Written internal policies and procedures and mechanisms designed to **(1) identify and (2) eliminate, or manage, mitigate and disclose** any actual or potential conflicts of interest
- b. **Regular review** of such policies and procedures, and their application
- c. **Appropriate records** of actual and potential conflicts of interest

- d. **Disclosure of your conflict avoidance** and management measures to (potential) users/rated entities
- e. Measures to help ensure **staff refrain from any securities and derivatives trading** presenting inherent conflicts of interest
- f. **Reporting lines for appropriate staff and their compensation arrangement** structured to eliminate or appropriately manage actual and potential conflicts of interest (eg, compensation or evaluation of appropriate staff not linked to revenue generated from entities they regularly interact with regarding such ESG ratings)
- g. Other – please specify [\[Open text box\]](#)
- h. We do not have any policies and procedures regarding conflicts of interests

Below, we would like to understand the costs associated with adopting the policies and procedures you have indicated in the previous question.

37. [\[If in Q36 they answered they had implemented at least one of processes regarding management of conflicts of interest\]](#) What were the resources used on a **one-off** basis, in FTE hours, to set up these policies and procedures? *When estimating, consider as an example the incremental impact of the following activities that you might have needed to undertake: developing any documentation, initial staff training, setting up any necessary IT systems, setting up any necessary governance and/or oversight frameworks, etc.*

[\[If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"\]](#)

- a. [\[Numeric input box\]](#)

If relevant, description of estimates (eg caveats, assumptions): [\[Free text box\]](#)

38. [\[If in Q36 they answered they had implemented at least one of processes regarding management of conflicts of interest\]](#) What percentage of the **total cost** associated with producing and distributing ESG ratings is incurred to maintain these policies and procedures? *When estimating, consider as an example the incremental impact of the following activities that you might have needed to undertake: maintaining and updating documentation, ongoing staff training, ongoing maintenance of technology and IT systems, ongoing costs of any governance and/or oversight frameworks, other additional ongoing staff time that is necessary for these policies and procedures, etc.*

[\[If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"\]](#)

- a. [\[Numeric input box\]](#)

If relevant, description of estimates (eg caveats, assumptions): [\[Open text box\]](#)

Transparency

39. Do you publish any of the following information for your ESG ratings? [\[Select all that apply\]](#)

[If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"]

- a. The measurement objective and output (eg, scale) of the ESG ratings
- b. High-level methodology document(s)
- c. Detailed methodology document(s)
- d. Regular evaluation of your methodologies against the outputs which they have been used to produce
- e. Terms of engagement describing engagement with rated entities, including when information is likely to be requested and the opportunities available (if any) to the rated entity for review
- f. Information on data confidentiality management and on the protection of non-public information, to the extent terms of engagement are published
- g. Disclosures of potential and actual conflicts of interest that may compromise the independence and integrity of the ESG ratings
- h. Other – please specify [Open text box]
- i. We do not disclose any of the above information

Below, we would like to understand the costs associated with producing the disclosures you have indicated in the previous question.

40. [If in Q39 answered they had implemented at least one of the transparency processes regarding] What were the resources used on a **one-off** basis, in FTE hours, to produce and publish the information for your ESG ratings? *When estimating, consider as an example the incremental impact of the following activities that you might have needed to undertake: developing documentation, initial staff training, technology acquisition, setting up any necessary IT systems, setting up any necessary governance and/or oversight systems, etc.*

[If in Q6 responded that multiple entities within the group offer ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"]

- a. [Numeric input box]
If relevant, description of estimates (eg caveats, assumptions): [Open text box]

41. [If in Q39 they answered they had implemented at least one of the transparency processes regarding] What percentage of the **total cost** associated with producing and distributing ESG ratings is incurred to maintain the information you produce and publish for your ESG ratings? *When estimating, consider as an example the incremental impact of the following activities that you might have needed to undertake: maintaining and updating documentation, ongoing staff training, ongoing maintenance of technology and IT systems, ongoing costs of any governance and/or oversight frameworks, other additional ongoing staff time that is necessary for these policies and procedures, etc.*

[If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"]

- a. [Numeric input box]
If relevant, description of estimates (eg caveats, assumptions): [Open text box]

42. [If in Q39 they answered they published at least one of the high-level and detailed methodology document(s)] What information do you provide in the methodology document(s) you publish? [Select all that apply]
- a. Time horizon of assessment
 - b. Principal sources of qualitative and quantitative information used in the assessment
 - c. Criteria and KPIs used to assess rated entities
 - d. Scope of business activities and group entities included in the assessment
 - e. Key assumptions and limitations
 - f. Information on how an absence of information is treated (incl., where applicable, any methodology used to fill data gaps)
 - g. Other – please specify [Open text box]

Governance

43. [If in questions 33, 36 and 39 they answered they had implemented any policies and/or procedures and/or disclosures related to systems and controls, management of conflicts of interest, and transparency] Do you have any of the following governance and oversight arrangements in place that enable you to monitor the implementation of the policies and procedures previously mentioned (ie, systems and controls, management of conflicts of interest, and transparency arrangements)? [Select all that apply]
- [If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"]
- a. A clear organisational structure with well-defined, transparent roles and responsibilities for personnel involved in the production, distribution, or oversight, as appropriate, of your ESG ratings products
 - b. Governance and oversight arrangements for review and/or sign-off by the board and/or executive committee and/or directors
 - c. Other – please specify [Open text box]
 - d. We do not have any formal governance and oversight arrangements

IOSCO recommendations and the Code of Conduct for ESG Ratings and Data Products Providers

This section aims to shed light on the current awareness and adoption of the IOSCO recommendations and/or of the ICMA-owned DRWG voluntary code of conduct. We want to better understand what your current practices are with respect to these recommendations and the code of conduct.

44. How aware are you of the IOSCO recommendations and/or of the ICMA-owned DRWG voluntary code of conduct?
- a. Fully or nearly fully aware, and we are signed up to the DRWG code of conduct
 - b. Fully or nearly fully aware, and we are *not* signed up to the DRWG code of conduct
 - c. Somewhat aware
 - d. Not aware at all [Do not proceed to next questions]
 - e. Do not know [Do not proceed to next questions]

45. [If in Q40 they answered they had not signed up to the DRWG or they were somewhat aware] Do you plan to sign up to the ICMA-owned DRWG voluntary code of conduct in the next 2 years?
- Yes
 - No
46. To what extent do you believe you have adopted and you adhere to the IOSCO recommendations, and/or the ICMA-owned DRWG voluntary code of conduct? We note that 'full adoption' means that you have implemented all of the principles and underpinning actions of the ICMA-owned DRWG voluntary code of conduct – having regard to the nature, scale and complexity of your business.
[If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"]
- Systems and controls [Scale between 0 (no adoption at all) and 5 (full adoption)]
 - Transparency [Scale between 0 (no adoption at all) and 5 (full adoption)]
 - Management of conflicts of interest [Scale between 0 (no adoption at all) and 5 (full adoption)]
 - Governance [Scale between 0 (no adoption at all) and 5 (full adoption)]
47. [If in Q42 did *not* answer 'full adoption' to all four pillars] Do you expect your costs related to the production and distribution of your ESG ratings products would increase if you were to fully adopt and adhere to the IOSCO recommendations and/or the voluntary code of conduct? If yes, by how much?
[If in Q6 responded that multiple entities within the group offered ESG ratings, display "Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis"]
- No, we *do not* expect our production and distribution costs to increase if we were to fully adopt the IOSCO recommendations and/or the voluntary code of conduct
 - Yes, we expect our production and distribution costs to increase if we were to fully adopt the IOSCO recommendations and/or the voluntary code of conduct by:
 - 1-20%
 - 21-40%
 - 41-60%
 - 61-80%
 - 81-100%
 - Do not know
48. [If in Q42 they answered with some degree of adoption in any of the four pillars] What benefits did you expect when you decided to implement the IOSCO recommendations, and/or the voluntary code of conduct? [Select all that apply]
- Our volume of business would increase
 - Trust and confidence in our ratings would increase
 - Post sale interactions with users of ESG ratings would decrease
 - Other – please specify
49. [If in Q45 they answered they expected their volume of business to increase] By how much did you expect your volume of business would increase due to changes adopted to align with the IOSCO recommendations and/or the voluntary code of conduct?

[If in Q6 responded that multiple entities within the group offered ESG ratings, display "*Please respond for all the entities within your group that are involved in the production of ESG ratings on a consolidated basis*"]

- a. 1-20%
- b. 21-40%
- c. 41-60%
- d. 61-80%
- e. 81-100%
- f. Do not know

