

MEMO# 33134

February 26, 2021

ICI Submits Response to IOSCO Questionnaire on ESG Ratings and Data Providers

[33134]

February 26, 2021 TO: ICI Members

ICI Global Members

ESG Advisory Group

ESG Task Force

ICI Global Regulated Funds Committee SUBJECTS: ESG

International/Global RE: ICI Submits Response to IOSCO Questionnaire on ESG Ratings and Data Providers

ICI submitted the attached response to an IOSCO questionnaire (also attached) on the use of ESG ratings and ESG data products. This questionnaire is part of the IOSCO Sustainability Task Force's workstream on credit ratings agencies, ESG ratings, and ESG data providers. IOSCO is expected to launch a consultation paper for this workstream at some point this spring, and a final report is expected in February 2022.

We appreciate all of your help in getting this over the finish line in such a short timeframe. IOSCO provided us with a one-week extension to the initial 19 February deadline, but that still left us with only two and a half weeks to develop a response.

Given the short timeframe, we kept our response focused on the areas where we were able to find member consensus. Many of you flagged important points that we were not able to address in this IOSCO response, and you will hear more from us in the coming weeks on further developing our positioning in this area.

Our response focuses on the following points:

- **Concerns with ESG data/ratings (e.g., quality, availability, transparency) and increasing costs in this area.** We mention that lack of data from corporate issuers exacerbates ESG data quality issues, and we urge IOSCO to consider corporate issuer disclosure of ESG information, but we note this is not a definitive solution for addressing our concerns with ESG ratings/data.
- **Concerns with regulatory requirements around ESG data/ratings.** We strongly urge against any regulatory requirement for asset managers to use ESG ratings. We

also explain that one of the ESG data-related areas our members find most difficult is regulatory requirements to disclose ESG data that is not broadly available from investee companies globally (e.g., EU Sustainable Finance Disclosure Regulation (SFDR) and Taxonomy Regulation requirements).

- **Variations in ESG ratings.** We reiterate the need for more transparency, which will allow asset managers to better understand why one provider's ESG rating of a company differs from another provider. We heard differing member views on whether variations are positive or negative.
- **We did not respond to Question 1.15 on regulation of ESG data/ratings.** Given the short timeframe on this questionnaire, we were not able to reach consensus on any recommendations to IOSCO on regulation of ESG data/ratings.

Next steps. You will be hearing more from us on this issue! IOSCO is not expecting to publish a final report on this workstream until February 2022, and we expect they would be open to further engagement on this. As previously discussed, we also expect the EU's forthcoming renewed sustainable finance action plan to include EU action in this area.^[1]

As always, please do not hesitate to reach out to us with any questions, thoughts, or feedback.

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[Attachment No. 1](#)

[Attachment No. 2](#)

endnotes

^[1] For more information on recent EU developments in this area, see ICI Memorandum No. 33100, available at <https://www.iciglobal.org/iciglobal/pubs/memos/ci.memo33100.global>.