

MEMO# 35571

January 5, 2024

UK Adopts Voluntary Industry Code of Conduct for ESG Ratings and Data Providers

[35571]

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TO: ICI Global Members

Europe Regulatory and Policy Committee SUBJECTS: ESG

International/Global RE: UK Adopts Voluntary Industry Code of Conduct for ESG Ratings and Data Providers

On December 14, 2023, the ESG Data and Ratings Working Group (DRWG),[\[1\]](#) convened by the UK Financial Conduct Authority (FCA), finalized[\[2\]](#) the voluntary code of conduct for ESG ratings and data providers. The FCA welcomed the launch of the code of conduct, noting[\[3\]](#) that the code of conduct will provide a benchmark for providers that may fall outside the scope of the potential UK regulatory regime,[\[4\]](#) which would only cover ESG ratings products and providers.

Consistent with the consultation draft released in July 2023, the code of conduct largely aligns with the recommendations of the International Organization of Securities Commissions (IOSCO),[\[5\]](#) setting out six principles on good governance, securing quality, conflicts of interests, transparency, confidentiality, and engagement.

ESG ratings providers who sign on to the code of conduct have six months to implement the principles, while ESG data providers have 12 months to do so. These providers, by signing on to the code of conduct, would agree to publish a public statement regarding the approach to the implementation of the code of conduct. The International Capital Market Association (ICMA), in its role as Secretariat for the DRWG, will publish and maintain a list of providers that have signed up to the code of conduct on its website.

ICI Global submitted a response to the consultation, recommending the DRWG explicitly clarify the exclusion of internal ESG ratings and data covers those provided to third parties as long as they are not provided or marketed on a commercial basis (e.g., for a fee).[\[6\]](#) The DRWG did not provide this clarity in the final code of conduct, instead keeping the exclusion as proposed and noting that the code of conduct is not intended to cover activities subject to existing regulatory requirements. We will continue our engagement with the FCA and HM Treasury as they continue the work on developing a potential regulatory regime for ESG

ratings products.

Compared to the consultation draft, the DRWG has made the following two key changes to the final code of conduct:

- Exclusion of activities covered by existing regulatory requirements: The DRWG clarified in the code of conduct that it is not intended to overlay upon existing regulated activities where formal rules and guidance already exist (including the case of asset managers or benchmark providers).^[7]
- Disclosure on consideration of forward-looking elements: The DRWG added that, as an example of action promoting transparency, ESG ratings and data providers may provide information whether forward-looking information (e.g., transition plans) is used in their assessments.

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Notes

^[1] The International Capital Market Association (ICMA) and the International Regulatory Strategy Group (IRSG) were appointed as the Secretariat for the DRWG, with the mandate to develop a voluntary code of conduct for ESG ratings and data providers. Observers include the FCA, the HM Treasury, the Monetary Authority of Singapore (MAS), and the Japan Financial Service Agency (JFSA).

^[2] Code of Conduct for ESG Ratings and Data Products Providers, December 2023, available at <https://www.icmagroup.org/sustainable-finance/code-of-conduct-for-esg-ratings-and-data-products-providers/>.

^[3] FCA welcomes the launch of industry code of conduct for ESG ratings and data products providers, dated December 14, 2023, available at <https://www.fca.org.uk/news/news-stories/fca-welcomes-launch-industry-code-conduct-esg-ratings-and-data-products-providers>.

^[4] The HM Treasury has proposed expanding FCA's regulatory perimeter to include ESG ratings providers to include ESG ratings providers. The potential regulatory regime would only cover ESG ratings products, where assessment of ESG factors are present, and exclude raw ESG data products. See ICI Memorandum [35240], dated 13 April 2023, available at <https://www.ici.org/memo35240>. See Also Future Regulatory Regime for Environmental, Social, and Governance (ESG) Ratings Providers Consultation, March 2023, available at <https://www.gov.uk/government/consultations/future-regulatory-regime-for-environmental-social-and-governance-esg-ratings-providers>. The HM Treasury consultation closed on 30 June 2023.

^[5] FR09/21 Final Report Environmental, Social and Governance (ESG) Ratings and Data Products Providers, November 2021, available at <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD690.pdf>; ICI Memorandum [33922], dated November 24, 2021, available at <https://www.ici.org/memo33922>.

[6] See ICI Memorandum [35473], dated October 4, 2023, available at <https://www.ici.org/memo35473>.

[7] Feedback statement Responses to the public consultation on the draft Code of Conduct for ESG Ratings and Data Products Providers, December 2023, available at <https://www.icmagroup.org/assets/DRWG-Code-of-Conduct-for-ESG-Ratings-and-Data-Products-Providers-Feedback-Statement.pdf>.

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