

31 March 2026

**Response to the FCA’s consultation on its proposed approach to regulation of ESG ratings (CP25/34)**

The International Capital Market Association (ICMA) welcomes the opportunity to provide feedback to the FCA on its [consultation](#) on its proposed approach to regulation of ESG ratings.

ICMA is a not-for-profit membership association serving over 630 members in 71 jurisdictions globally. Its members include private and public sector issuers, banks and securities dealers, asset and fund managers, insurance companies, law firms, capital market infrastructure providers and central banks. ICMA provides industry-driven standards and recommendations, prioritising three core fixed income market areas: primary, secondary and repo and collateral, with cross-cutting themes of sustainable finance and FinTech and digitalisation. ICMA works with regulatory and governmental authorities, helping to ensure that financial regulation supports stable and efficient capital markets. See [www.icmagroup.org](http://www.icmagroup.org).

This feedback is given on behalf of ICMA’s Asset Management & Investors Council (AMIC) which represents ICMA’s buyside members<sup>1</sup>.

The response below has been directly submitted to [cp25-34@fca.org.uk](mailto:cp25-34@fca.org.uk).

Since December 2023, ICMA has been providing a voluntary [Code of Conduct](#) for ESG Ratings and Data Product Providers to which, as of this date, 42 providers from different global jurisdictions and sectors have signed up to, with 25 so far having provided a Statement of Application. The Code is closely aligned with IOSCO’s Recommendations from its 2021 [Final Report](#). We therefore very much welcome the FCA confirming that its proposals draw on international standards and industry practice, including the IOSCO recommendations and ICMA’s Code of Conduct.

Moreover, while the regulation only covers ESG ratings, we appreciate the FCA’s continued [endorsement](#) of the Code of Conduct for providers that fall outside the scope of future regulation, including data product providers.

ICMA also recently published a [paper](#) on the topic of ESG ratings and data products.

Regarding CP25/34 on the FCA’s proposed approach to regulation of ESG ratings providers, please see our responses to some selected questions below.

Yours sincerely,

Simone Utermarck  
Senior Director Sustainable Finance  
ICMA

---

<sup>1</sup> For the purpose of this response, “buyside members”, “our” or “we” refers to contributing asset managers only

**Question 3: Do you think existing regulatory regimes sufficiently address the risk of harm? If not, which areas do you think need to be addressed and why?**

We agree with the FCA's proposed approach to exclude firms that are providing ESG ratings as part of an existing activity that it already regulates (or as part of other arrangements in the legislation), from the scope of the ESG ratings regime. More specifically, we believe that the current regulatory regimes for existing regulated products and services sufficiently address the risk of harm. Furthermore, whilst we welcome the FCA's decision to assess whether it needs to improve standards in existing regulatory regimes to address the risk of harm, we do not expect significant gaps to be identified. Existing regulated products and services in the UK (as well as the EU) are already subject to a number of regulatory standards which lead to obligations that impact the content of documents sent to asset managers' clients as well as the wider context of asset managers' fiduciary duty. Finally, with SDR only having been in place for less than two years, more time might be needed to fully assess whether the proposed disclosure requirements are fit for purpose.

**Question 4: Do you agree with the proposed minimum public disclosures listed in Table 2? If not, please specify what you disagree with and why.**

Following the IOSCO Recommendations made in 2021 and subsequent publication of various voluntary codes of Conduct (the JFSA Code, the ICMA Code, the Singapore Code, the HK Code), transparency arguably already improved, with providers making more information related to their methodologies and processes, available on their websites.

Nonetheless, we agree with the proposed minimum public disclosures listed in Table 2. However, we believe that the requirement to disclose the breakdown of the factors (E, S and/or G) assessed by the methodology should be more explicit regarding the requirement to disclose the key performance indicators (KPIs) used to assess the issues covered within each of the relevant factors. Research has shown that divergence in ratings amongst rating providers is largely driven by measurement divergence (i.e. ESG ratings providers measuring the same ESG attributes using different KPIs), it is therefore important that the rules are explicit regarding the requirement to disclose the relevant KPIs. Furthermore, as a similar requirement already exists under the ICMA Code of Conduct for ESG Ratings and Data Product Providers, it should not really be seen as a new transparency requirement.

Also, for comparison, in the EU, Regulatory Technical Standards (RTS) specify measurement metrics by establishing rules for disclosing methodologies, data sources, and rating assumptions to improve comparability.

Lastly, we would like to propose that the definition of the ESG rating process (Annex A, page 3) should be expanded to capture the minimum disclosure requirements as well.

**Question 5: Are there any key minimum public disclosures missing from the proposed list in Table 2? If so, please specify which disclosures and why they should be included.**

We believe the minimum public disclosures should include general information on criteria used for establishing fees charged to clients, specifying the various elements taken into consideration and general information on the business/payment model. This is also envisaged by Article 25 of the EU's ESG Regulation which states: "*ESG rating providers shall take steps that are adequate to ensure that fees charged to clients are fair, reasonable, transparent, non-discriminatory and are based on costs*". Nonetheless, to reduce the administrative burden on ESG rating providers, we would prefer for the information on the main risks of conflicts of interest and the steps to mitigate them to be included as part of the minimum public disclosures rather than a stand-alone disclosure as currently envisaged under the

proposed rules. This will furthermore facilitate public understanding given there will only be one disclosure document to look at rather than multiple disclosure documents.

**Question 6:** Do you agree with the proposed disclosures for direct users and rated entities and approach to onward sharing? If not, please specify what you disagree with and why.

We agree with the proposed disclosures and fully support the requirement for ESG rating providers to disclose details of any material challenge [by a notifiable person] to the factual accuracy of any data informing an ESG rating, in cases when these have not yet been resolved. However, we believe that it should be explicitly clarified that this disclosure is not only relevant to ESG ratings being issued for the first time (i.e. first issuance of an ESG rating), but also relevant to subsequent updates of ratings.

**Question 8:** Do you agree with our general expectations for transparency? If not, please specify what you disagree with and why.

Transparency is the most important part of the IOSCO recommendations, and relatedly, all voluntary codes of conduct and regulation. Nevertheless, we appreciate that both the EU and UK in their respective approaches, emphasise the fine line between providing sufficient transparency for investors and being mindful of competitive elements and innovation. *“Disclosure of information concerning methodologies, models and key rating assumptions should however not reveal sensitive business information or impede innovation” (EU) and “The government is seeking to secure an appropriate level of investor and market protection by addressing risks of harm, whilst not stifling innovation or impairing a competitive environment through a disproportionate regulatory regime” (UK).*

**Question 11:** Do you agree with the proposed approach to systems and controls, including:

- a. Quality control and methodology
- b. Data quality and accuracy
- c. Record keeping
- d. Personal transactions

If not, please specify which elements you disagree with, what alternative approach you would suggest and why.

We broadly agree but would like the FCA to be more specific in terms of the review of the methodology and the process behind ESG ratings. The Quality Control section 6.2.8. mentions a “periodic review of ESG ratings” – we would like the rules to explicitly state that this periodic review of ESG ratings processes should be carried out at least every 12 months, subject to exceptions already catered for under the proposed rules. This would also be consistent with the EU ESG ratings regulation which contains an explicit requirement for methodologies to be reviewed at least every 12 months. Requiring an annual review of the ESG ratings process, will also further aid in ensuring that the minimum public disclosures are kept up to date.

Data quality and accuracy is another area that is very important to users of ESG ratings. Where company reporting does not provide all the data users need, reliance on ESG ratings and data product providers will increase. Providers should therefore be clear, where, for example, estimates or sectoral data have been used.

**Question 13:** Do you agree with our proposed approach to conflicts of interest? If not, please specify what you disagree with and why.

Whilst we believe that ESG rating providers should have an effective and transparent conflicts of interest policy, we believe that the disclosure requirements relating to this should not be separate from the wider minimum public disclosures listed in Table 2. As stated in our response to Q.5, to reduce the administrative burden on ESG rating providers, we would prefer for the information on the main risks of conflicts of interest and the steps to mitigate them to be included as part of the minimum public disclosures rather than a stand-alone disclosure as currently envisaged under the proposed rules. This will furthermore facilitate public understanding given there will only be one disclosure document to look at rather than multiple disclosure documents.

**Question 22:** Does the proposed perimeter guidance provide sufficient support to help firms understand when FCA authorisation might be required? If not, what else should the guidance cover?

We welcome the proposed perimeter guidance to help firms understand when FCA authorisation might be required. However, we believe improvements could be made in relation to certain aspects of the guidance. The perimeter states that *“If you provide ESG ratings by way of business, you will need FCA authorisation unless: (1) you could not reasonably have expected the ESG rating to influence a decision to make a specified investment”*.

However, while ESG ratings are predominantly used to comply with investment mandates (ICMA’s own research found that this is even more the case for asset managers’ internally produced ESG ratings and scores), we would argue that it is rather difficult for ESG ratings providers to determine whether their ESG rating will influence an investment decision. More specifically, in relation to PERG 18.4 Q13 (What does ‘likely to influence a decision to make a specified investment’ mean?), we believe the proposed answer falls short as it only provides limited and straightforward examples and does not address cases wherein ratings are used in marketing materials (e.g. comparing the ESG profile of a fund against an index), sustainability reports and/or internal portfolio tools.

Without clear standards and given the subjective nature of the phrase “likely to influence”, ESG rating providers may differ wildly in how they interpret whether they “influence” investment decisions leading to inconsistent application across rating providers. Inconsistent application will undermine comparability. This is also different to the EU ESGR which does not set a requirement for an ESG rating to influence a decision.

However, as in the UK the definition is already laid out in the statutory instrument (SI), we propose for the FCA to provide more examples of what “influencing an investment decision” means in practice to its perimeter guidance, so that ESG ratings providers can apply the definition consistently.