

# ESG Data and Ratings Providers

## Emerging Regulatory Landscape

### The evolving regulatory landscape for ESG Data and Rating providers

Regulators and industry bodies are increasing their focus on developing regulations and industry standards in relation to the collation, production, and dissemination of ESG Data and Ratings. This includes the following:



- In November 2021 the International Organization of Securities Commissions (**IOSCO**) published recommendations for regulators and ESG Ratings and Data providers



- In June 2023 the **EU** published a draft of legislation that would apply to ESG Ratings providers. Once finalised, all firms providing ESG Ratings into the EU, including those based outside of the EU, would need to comply.



- Ending June 2023 the **UK** Government consulted on bringing ESG Ratings into the **FCA**'s regulatory perimeter. In the interim, the FCA requested the International Regulatory Strategy Group (IRSG) to draft a voluntary code of conduct for ESG Ratings and Data Product providers. A draft was published for consultation in July 2023.

In addition to the above, a number of other national level codes of conduct have been published, including in **Singapore, Japan and India.**

### Impact to current ESG Ratings providers

For ESG Data and Ratings providers, these developments are likely to have the following impacts:

1. Clients will increasingly expect ESG Data and Ratings providers to be **adhering to one or more of the voluntary codes of conduct**. Firms may be expected to obtain externally verified Statements of Compliance.
2. Within the UK, EU and other jurisdictions ESG Data and Ratings providers will likely be required to **comply with mandatory regulations and become authorised / registered** with the relevant regulatory body. This is likely to be driven by the location of usage, rather than production, of ESG Data and Ratings.

### How KPMG can help

KPMG's Data, ESG and Regulatory Assurance teams are well placed to support on a range of activities related to the evolving ESG Data and Ratings regulatory landscape. Specific areas of support include:

- **Regulatory Readiness Assessments** of firms' ESG Data and / or Ratings provider business activities against the requirements of relevant codes of conduct and legislation
- **Third Party verification over Statements of Compliance** with relevant codes of conduct. These products may be for use with clients and regulators.
- **Remediation and Implementation** of enhancements required to meet the relevant codes of conduct or legislation. This work can leverage earlier Readiness Assessment work.
- Support to prepare and submit **regulatory applications for Authorisation** of ESG Ratings providers.

# ESG Data and Ratings - Why KPMG?



## Market Leading Experience

- A global ESG team.
- Experienced in ESG Data in index products.
- KPMG in the UK has assisted the Authorisation of a number of UK Benchmark Administrators.
- Provided over 60 assurance reports against Benchmarks codes of conduct and legislation, developing the first public IOSCO Benchmarks Assurance report.



## International ESG Network

KPMG Member Firms have regulatory experts on ESG Data and Ratings across the UK, EU, US and Asia, enabling us to support clients on cross-border regulatory considerations.



## Our People

KPMG professionals can provide cross-functional capability of risk management, risk regulatory, and financial services legal expertise, allowing us to offer clients tailored approaches to regulatory challenges including ESG Data and Ratings..

## Where to start?

### Regulatory Development Workshops



A short one hour workshop with our KPMG in the UK FS Regulation and FS Legal team to discuss latest regulatory developments and actions for prioritisation.

### Readiness Assessment

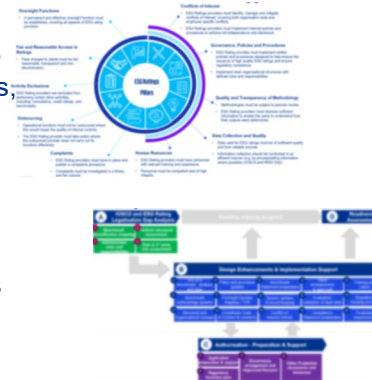


A 6 to 8 week Readiness Assessment in order to provide a report to management on current state against codes of conduct / regulatory requirements.

## KPMG Tools and Accelerators

KPMG in the UK has a number of tools and approaches to help accelerate delivery on ESG Data and Ratings projects, including:

- **ESG Rating Framework** - Decomposed key ESG Data and Rating standards into 10 key pillars, allowing for efficient assessment and implementation of the standards.
- **ESG IQ**, a KPMG developed ESG scoring platform. This allows clients to flex and stress their ESG methodologies, to provide transparency to the underlying drivers of their ESG scores.



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