

News Release

International Regulatory Strategy Group (IRSG)

5 July 2023

FOR IMMEDIATE RELEASE

Industry group launches world-leading Code of Conduct for ESG Ratings and Data Product Providers

The International Regulatory Strategy Group (IRSG) has supported the launch of a provisional voluntary code of conduct for ESG (Environmental, Social and Governance) ratings and data product providers, which is now open for consultation.

This provisional code of conduct, which is the first of its kind, is launched by the ESG Data and Ratings Code of Conduct Working Group (DRWG) and also supported by the International Capital Market Association (ICMA).

Sustainable finance is a key pillar in the drive for net zero, creating a growing demand for reliable ESG ratings and data products which clearly outline companies' sustainability efforts to consumers and investors.

The code aims to enhance consistency, transparency, and accountability in the financial services industry to ensure that the market is able to have confidence in the integrity of ESG Ratings and Data products through enhanced systems, processes and controls.

The Code of Conduct sets out key best practice principles:

1. **Good governance** – ESG ratings and data products providers ensure appropriate governance arrangements are in place including transparency and conflict management.
2. **Systems and Controls** – Implementing written policies and procedures to ensure a high quality of products, consistency and effective engagement practices.
3. **Conflicts of Interest** – ESG ratings and data products providers manage activities that may compromise the independence and objectivity of ratings and operations.
4. **Transparency** – Adequate levels of public disclosure and transparency as a priority for ESG ratings and data products including methodologies and processes.

The FCA (Financial Conduct Authority) commissioned the IRSG and ICMA to convene the DRWG which is co-chaired by a Steering Committee, namely, Angela Brown, Global Head of ESG Products, Moody's Analytics; Rob Marshall, Head of Sustainable Investing, M&G; Nick Bonsall, Partner Financial Institutions Group, Slaughter and May and David Harris, Head of Sustainable Finance Strategic Initiatives, London Stock Exchange Group.

The Steering Committee said:

"Members of the DRWG have worked hard to make sure the Code of Conduct is internationally consistent, primarily through close alignment with the International Organization of Securities Commissions' recommendations but also through taking into account developments in jurisdictions such as Japan, Singapore and the EU. We hope the Code of Conduct will be a significant step in the development of consistent global standards for ESG ratings and data product providers."

Chris Hayward, Interim Co-Chair of the IRSG Council said:

"A comprehensive, proportionate and globally consistent voluntary code of conduct for ESG ratings and data will help ensure this market is fit for purpose, in turn supporting market practitioners to assess the risks more accurately.

"This code will support investor confidence in ESG ratings and data to unlock capital for the urgent net zero transition."

Sacha Sadan, FCA Director of ESG, said:

"Today is an important step in increasing transparency and trust in the growing market for ESG data and ratings products. It's also vital that the Code has been developed with international consistency in mind. We thank the Secretariat for their hard work and encourage everyone to take part in the consultation."

The consultation period on the draft Code of Conduct will run from 5 July 2023 to 5 October 2023 and interested stakeholders are invited to submit their comments via email to drwgsecretariat@icmagroup.org.

The Code of Conduct can be read here:

<https://www.irsg.co.uk/assets/Papers/DRWG-ESG-Code-of-Conduct-Draft-July-2023.pdf>

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Notes to editors

The International Regulatory Strategy Group (IRSG) is a joint venture between the City of London Corporation and TheCityUK. It is a practitioner-led body comprising of senior leaders from across the UK-based financial and related professional services industry.

The City of London Corporation is the governing body of the Square Mile dedicated to a vibrant and thriving City, supporting a diverse and sustainable London within a globally-successful UK. www.cityoflondon.gov.uk

TheCityUK is the industry-led body representing the UK-based financial and related professional services industry, championing the success of this ecosystem, and thereby its members. www.thecityuk.com