

Annex B

Submissions from respondents to the consultation paper on Proposed Code of Conduct for Environmental, Social and Governance (“ESG”) Rating and Data Product Providers

Note: The table below only includes submissions for which respondents did not request confidentiality of their identity, and/or for all of their responses.

S/N	Respondent	Responses from Respondent
1	Abrdn Asia Limited	<p>Question 1:</p> <p>As a global asset management company and a user of ESG ratings, data and related services, we have a significant interest in regulatory developments impacting ESG ratings and data providers and we wish to thank the Monetary Authority of Singapore (“MAS”) for the opportunity to provide feedback to the consultation on a proposed industry code of conduct for providers of ESG ratings and data products (“Consultation Paper”). In relation to Question1, we noted that MAS’ policy intent is to capture ESG data provided to market participants which entails estimations, calculations or analysis by the provider. Accordingly, “raw data or aggregated raw data which does not entail added estimations, calculations, or analysis” are not included in scope. As asset managers we also utilise raw ESG productions that do not include estimations, calculations, or analysis. Hence, we wish to seek clarification whether these should be in scope too to similarly apply the proposed principles of transparency and governance, so as to promote consistent practices and market confidence across ESG datatypes. To elaborate, we are of the view that raw ESG data has its own challenges. Users of ESG ratings understand that these are subjective, at least to some extent. However, users of raw data would rightly expect the provider to have adequately sourced the data, checked it, and delivered it in a timely manner. Without this accurate and timely raw data, ESG ratings are unreliable and will not fulfil their intended purpose. In particular, we see a number of issues with raw ESG data, including:</p> <ul style="list-style-type: none"> - A lack of transparency of data sources - The use of outdated data sources - The omission of local language data sources - An inability to challenge the data <p>While the quality of raw ESG data should improve with more coherent and transparent corporate reporting, there is a risk that these issues continue in the short to medium term if not adequately addressed. We therefore support the inclusion of raw ESG data in the proposed regulatory framework. At the very least, we believe that providers of raw ESG data should also be subject to a code of conduct to ensure that appropriate controls are in place.</p> <p>Question 2: No comments.</p> <p>Question 3:</p>



	<p>We respectfully request that there should be clear exclusions for asset managers and other regulated financial services providers from the definitions of “ESG Rating Provider” or “ESG Data Product Provider”, where ESG ratings or data products are used for internal purposes (alternatively the list of exclusions under both the definitions of “ESG rating” and “ESG data product” could be amended to incorporate exemptions for internal use). This approach would be in congruence with proposals such as in the EU and the UK, whereby ESG ratings produced for internal purposes are excluded from the proposed regulatory regimes for ESG ratings providers, and also support MAS’ considerations for multi-jurisdictional interoperability while doing so. In addition, there are circumstances where our own internal ESG ratings are provided to clients in the interest of transparency (e.g. published in sustainability-related reporting). However these are only for clients’ information and not for separate commercial purposes (i.e. not paid for by the client) and should not render the asset manager/financial service provider to be subject to the proposed CoC under such circumstances.</p> <p>Question 4: No comments.</p> <p>Question 5: We would like to particularly concur with Principle 3 and emphasise the importance of independence and mitigation of any potential conflicts of interest between the issuer and rating agency.</p> <p>Question 6: No comments.</p> <p>Question 7: No comments.</p> <p>Question 8: No comments.</p> <p>Question 9: No comments.</p> <p>Question 10: abrdn is supportive of MAS’ plan to move forward with a potential regulatory regime for ESG rating providers, further to monitoring and observing global regulatory and local developments after the implementation of the CoC. We note that having a formalised regime would enhance Singapore’s position to be granted equivalence by the likes of the EU and UK which have/will have similar regulations in place.</p> <p>Question 11: We agree that overseas based ESG rating providers who offer ESG ratings to users in Singapore should be subject to the proposed regulatory regime for ESG rating providers. At the same time, we would also like to propose that MAS grants equivalence to ESG rating providers headquartered in countries that have commensurable legislation in place. This means that ESG rating providers operating in jurisdictions such as the EU and UK would be able to sell into Singapore without</p>
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		<p>separate regulation – this approach would enhance cross- jurisdictional interoperability and mitigates scenarios where businesses operating in Singapore are at an ‘information disadvantage’.</p> <p>Question 12: In view that commensurable legislation in the EU and UK may come into force towards the end of 2024, we suggest that MAS takes this into consideration when determining an appropriate timeline for Singapore (i.e. at the same time or after, so as to observe the advantages and disadvantages of these regimes prior to implementation).</p> <p>Other comments: In relation to the assimilation of new regulation, we wish to share our general observations that new regulation, if not carefully drafted and implemented, could be burdensome and result in increased fees for users of ESG ratings which would in turn undermine the aim of making ESG ratings more widespread across the value chain. In particular, we would like to highlight 3 potential risks for the regulator’s consideration:</p> <ol style="list-style-type: none"> 1. Reduced competition in the market: New regulation could end up being especially burdensome on smaller ESG rating providers, resulting in stunted competition in the ESG ratings market. 2. A lack of timely information: A possible unintended consequence of new regulation is an impact on the speed at which ESG rating providers are able to update their data and ratings. Any new regulatory hurdles may slow this process down. Current, timely information is incredibly important for users of the data and ratings. 3. Stifling innovation in the sector: As the market for ESG ratings and data providers is relatively new, it is important that regulation does not stop the industry from innovating to provide the best products for its clients. This is especially important as more and more ratings agencies turn to new technologies such as AI to support their work.
2	Asia Securities Industry & Financial Markets Association (“ASIFMA”)	<p>Question 1: On behalf of Asia Securities Industry & Financial Markets Association (“ASIFMA”), we would like to submit our response to the Monetary Authority of Singapore (“MAS”) Consultation on Proposed Code of Conduct (“CoC”) for Environmental, Social and Governance (“ESG”) Rating and Data Product Providers (“Providers”). We welcome the MAS’s action on this topic as we believe transparency and clarity in ESG ratings and data products will enable market participants to better understand the basis for the ratings and evaluate their quality and suitability. We appreciate MAS’s efforts to closely align the CoC with the IOSCO recommendation which will ensure a level of global consistency and avoid market fragmentation. We also acknowledge MAS’s phased and proportionate regulatory approach which considers both the role of regulation in ensuring the quality of ESG ratings and data products, and its potential impact on innovation in and market development of these products. Lastly, we note the development of codes of conduct as part of regulatory frameworks in other jurisdictions, such as the United Kingdom, and urge the MAS to remain flexible in its approach to achieve regulatory convergence. In</p>



	<p>fact, in light of industry developments since the IOSCO Report was released in November 2021, we wonder if IOSCO should revisit their findings to ensure harmonisation, for example, in ESG scores and alternative ESG data as described below.</p> <p>Evolving definitions: We would suggest that the MAS continues to take account of the evolution in ESG rating and data products, as and when a regulatory framework is introduced. In the meantime, we believe it is important to maximise global interoperability and ensure sufficient clarity of in-scope activities and exclusions to support innovation and enhance workability. As such, it would be preferable to ensure items are not in-scope where the risk of harm is low. To avoid confusion, we would also suggest specific examples of in-scope and out-of-scope products are provided as part of any implementation guidance.</p> <p>ESG data products: Our members note that the universe of non-financial data which is potentially in scope of the proposed definitions of ESG data product is broad and evolving. Over time, as data collection improves, we expect that an increasing amount of reported data will replace data that is currently estimated. As such, some of our members agree with the specific exclusion for raw data which ‘does not entail added estimates, calculations or analysis’.</p> <p>Alternative ESG data products: Our members increasingly rely on secondary sources of ESG-related data (or alternative ESG data) not obtained through traditional disclosure methods. These include ESG-related news and controversies, satellite images, electric vehicle sales, employee satisfaction insights, civil society research. These data provide a good supplementary source of ESG data particularly for some non-public companies and / or for certain markets (e.g., emerging markets). Technologies such as web-scraping, artificial intelligence / machine learning are typically used to obtain the data for further analysis. Would the MAS clarify if its intention is to bring such ESG-related data and their providers into scope. Whilst there is a view that providers of alternative ESG data should also abide by the same CoC, other members would suggest that at this nascent stage of development, exclusion from scope is preferred to support innovation. That is, exclusion where alternative ESG data does not include analysis. For example, real time controversy news monitoring, where controversies are not categorised by risk categories.</p> <p>ESG Scores: In addition to the definition of ‘ESG ratings’ and ‘ESG data products’, some of our members would propose the inclusion of a definition of ‘ESG scores’. These members consider ESG scores which involve quantitative analysis and are not opinions as they do not involve substantial analyst discretion in the ESG assessment, unlike ESG ratings, should not be a subcategory of ESG ratings. On the other hand, for other members, in practice, the distinction between ESG scores and ESG ratings is not so clear cut, especially without sufficient transparency around methodologies currently. We would suggest that the MAS focus on ensuring that methodologies are transparent for users and make clear the nature /substance and naming of an ESG score or rating, which look towards the extent of analyst assessment, including adjustment of weightings and application of estimation models.</p> <p>Exemption for internal use: Some of our members may be regulated entities, regulated benchmark providers, or other providers of ESG scores, ratings and / or</p>
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	<p>ESG data products for group internal use only. It is likely that they would be subject to the proposed CoC if they were to make their product available in Singapore. We request MAS include an exclusion, in keeping with the approach taken in the EU proposals, for:</p> <ul style="list-style-type: none"> - Internal or regulatory use: ESG scores, ratings and data products that are used for internal purposes, for providing in-house financial services and products, or are issued and published for the purpose of complying with regulatory obligations. As an example, ESG scores provided by one entity in a member group may be used, by that same entity or by another entity within the same group for benchmark calculation purposes. - Internal use and/or with incidental external distribution: ESG ratings and data products developed for own decisions and investments, which are intended for enhancing investor awareness on ESG and not intended for retail investors, and/or are not the subject of public disclosure or distribution by subscription or other means. <p>Asset managers in particular may develop proprietary ESG scores or ratings for internal use but may also develop specific ESG data products to meet client objectives or upon request. We would ask MAS to clarify that it is not the intent of the CoC to bring asset managers in scope of the proposals and hence subject to the CoC. Our asset manager members believe that proprietary products support product development, and if they were in scope, this would impact on their investment innovation capacity, leading to more market concentration to a simplified use of ESG rating services provided by third party vendors. On the other hand, we would be clear to differentiate internal use from situations where group entities are operating within an internal marketplace on an arm’s length basis, for example, buy- and sell-side, and thus an exemption under the internal use basis should not apply.</p> <p>Activities of regulated financial institutions: The currently drafted definition of ‘ESG rating’ and ‘ESG data products’ could capture a very wide range of items. Examples of ancillary ESG-related products of and activities conducted by regulated financial institutions include:</p> <ul style="list-style-type: none"> - instances of internal use described above - where a research report presents a comparison of a particular investment strategy against a third party ESG rating - where metrics are derived from ESG ratings - investment products under the MAS Excluded Investment Product / Specified Investment Product regime where the investment process and due diligence can involve analysis or consideration of ESG ratings. <p>This is by no means an exhaustive list. We do not believe it is the intention of the MAS that the activities of regulated financial institutions be in scope of the definition of ESG ratings and data products. To avoid overlapping with existing regulations and to support innovation, some members would suggest a broader</p>
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	<p>exclusion for the activities of regulated financial institutions. This would simplify the application of the CoC reducing regulatory uncertainty for financial institutions and reflect a proportionate approach appropriate for this initial phase of regulation.</p> <p>Question 2: On one hand, external reviews such as Second Party Opinions (“SPOs”) are currently excluded from IOSCO’s recommendations and HM Treasury’s consultation on ESG rating providers, as well as the EU regulations. On the other hand, they are included in other similar code of conducts, such as Japan’s Code of Conduct for ESG Evaluation and Data Providers, and IRSG/ICMA’s Draft Voluntary Code of Conduct for ESG Ratings and Data Product Providers consultation paper. Alignment with IOSCO or global standards is preferred to ensure global consistency and ease of comparison across jurisdictions and entities. Proper oversight and regulation of ESG rating and data products (non-external reviews) is currently more important than external reviews given they are relatively less standardised and hence represent higher risk. Additionally, SPOs are not common in Asia Pacific, with insufficient local market expertise in this product, hence it is premature to bring them in scope.</p> <p>Question 3: If MAS are considering an extra-territorial application of the CoC, it will be important for MAS to introduce substitutive compliance or an equivalence provision based on international providers complying with IOSCO recommendations. If not, it may result in international providers ceasing their provision of products to Singapore.</p> <p>Internal use: Please also refer to our response to Question 1. Exemption for internal use.</p> <p>We request the MAS exclude Providers who produce product for internal purposes as discussed. Consulting services and intermediaries We suggest that entities providing ESG consulting services generally should be excluded, not just those offering services to “companies on improvements from an ESG perspective”. Additionally, those who are third party intermediaries distributing or placing an ESG rating or ESG-rated product, produced by another party, should also be excluded.</p> <p>Question 4: We would expect large variation in Providers’ disclosure across the various ESG ratings and data products. Accordingly, it may be preferable to limit transition risks disclosures to climate data specifically rather than more general ESG data.</p> <p>Question 5: Obligations of product user We refer to Annex 1 PREAMBLE, “market participants who use the ESG ratings and/or ESG data products are encouraged to engage providers who adopt the Code”. Our members agree that products users be encouraged to engage Providers who adopt the CoC, but also have the flexibility to engage Providers who do not adopt the CoC to ensure adequate choice and allow for market innovation.</p> <p>Principle 1. Ensuring the quality of ESG rating and data products Some of our members are concerned about the lack of clarity in the word ‘ensure’ when products are based on disclosure (or lack thereof) by covered entities. To</p>
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	<p>avoid misconceptions with ‘assured’ or ‘verified’, it is suggested to replace the work ‘ensure’ with ‘establish measures to safeguard’.</p> <ul style="list-style-type: none"> - Best Practice 1d: We suggest that the regular review be subject to review by a function independent of the preparation of the ESG ratings, scores or data products. - Best Practice 1e. Provide transparency around the sources of data and - Best Practice 1h: We would suggest that ‘relevant personnel’ are ‘professional, competent, suitably qualified and persons of integrity’. <p>Principle 2. Ensure its decisions are independent: Providers should be transparent about whether raw data is purely aggregated in a formulaic manner or where there may be the involvement of expert opinion. Where expert opinions are involved, Providers should be encouraged to disclose the expertise and composition of such expert panels, to ensure their independence.</p> <p>Principle 4: Adequate levels of public disclosure and transparency ... including their methodologies and processes</p> <ul style="list-style-type: none"> - ESG indices: Given the pervasiveness of negative screening, it is important to have transparency about how issuers are grouped. Asset manager members may need to determine exposure to or threshold-based revenue exclusions to typical categories such as fossil fuels, tobacco, controversial weapons, and compliance with taxonomies and principles such as UNGC or where credible taxonomies have been applied. - Best Practice 4a: We would suggest there is transparency around ESG ratings / ranking methodologies, models and key assumptions, including whether analysis is backward-looking or forward-looking. - Best Practice 4b: Apart from ‘objective’, Providers should disclose the ‘scope’ of the product, i.e. whether it is an aggregated product (aggregating E and S and G factors), or a rating of individual factors or specific issues, for example, transition risks. - Best Practice 4c: Reference should be made to quality control around source data, and where applicable, reference the method of data collection. We note that beyond automation for data collection, generative ‘artificial intelligence’ can be used to derive or generate data, including ratings and scores, whilst the technology behind it is still at a nascent state where data and information accuracy cannot be guaranteed. - Best Practice 4d: Our members who are product users would suggest that Providers should alert users each time there are methodology changes and past data is changed, and in this alert identify what has changed and why, and provide an impact analysis (as referenced in Best Practice 1d). On the other hand, our members who are Providers do not support ad-hoc updates and would prefer to address these points through a robust and transparent methodology and procedures. <p>Principle 7: Responding to and addressing issues raised by covered entity</p>
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	<p>Some of our asset management members are anecdotally aware of incorrect data in the data sets of Providers, where a covered entity is unable to get its data corrected. This is because either there are limited avenues for communicating problems to the Provider and/or corrections are only made during a Provider’s review cycles (which typically occur every six or twelve months). We agree with Best Practice 7a. to provide “a clear and consistent contact point” and would suggest that incorrect data is corrected expeditiously to “ensure the issuance of high quality ESG rating and data products” in accordance with Principle 1. For our members who are Providers, they do not support ad-hoc corrections and would prefer to address these points through a robust and transparent methodology and procedures.</p> <p>Additional suggestions: In order to ensure data quality, we would suggest that Providers conduct regular dialogue with users and covered companies who both provide input on potential biases. We would also suggest the establishment of proper complaints management processes to address any service issues.</p> <p>Additional principle: Commercial terms Given that ESG ratings and data products will be increasingly used for manufacturing financial products and managing ESG risk, our product user members expect to be increasingly reliant upon Providers and think it is important to be able to negotiate with Providers on commercial terms, including pricing and licensing frameworks, product and services bundling, and limitations on the reuse and redistribution of ESG data and data products. Whilst our Provider members do not support this suggestion, our product user members would like to see an additional principle added that Providers take steps to ensure that commercial terms be established on a fair, reasonable, consistent and transparent basis.</p> <p>Question 6: In light of further developments in the regulatory framework including bring ESG rating providers into the CMS licensing regime under the SFA, a phased approach which starts with a “Comply or Explain” basis is appropriate. Obligations of product users Given the ‘Comply or Explain’ basis, we would hope that financial institutions licensed in Singapore and using a third party Provider which sufficiently explains why it isn’t compliant with the CoC, will not be expected to additionally explain why the third party Provider has been used and/or why the Provider does not comply with the CoC. This would reduce the administrative and regulatory burden on product users.</p> <p>Question 7: Assessment of compliance We are unsure if the provision of a Checklist would necessarily ease the identification of compliant providers. For example, if a provider were to give “No” responses to some (not all) questions in the proposed Checklist in Annex 2, would the MAS consider the provider ‘compliant’ with the CoC? On the other hand, for Providers which offer an array of products, we wonder if they are able to provide the same level of completeness in their responses across their universe of products.</p> <p>List of Providers Given that Providers are encouraged but not required to publish the Checklist on their websites, we would suggest that the MAS consider maintaining a publicly</p>
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		<p>available database of ‘compliant’ Providers for ease of reference of market participants.</p> <p>Mutual recognition Many of the principles and practices suggested in the MAS CoC are very similar to those in the EU proposals, for example. To the extent that overseas headquartered Providers would be subject to codes of conduct equivalent to the IOSCO recommendations elsewhere, we would suggest jurisdictional equivalence when overseas codes of conduct do come into effect. Refer also to our response to Question 11. To the extent that MAS has proposed Singapore-specific best practices on top of IOSCO recommendations, we question if interoperability can be effectively achieved, whilst ensuring a level playing field for different Providers.</p> <p>Obligations of product users As mentioned in our response to Question 6, we would suggest that MAS not impose additional regulatory obligations on financial institutions licensed in Singapore, for example, when they use such third party Providers that are located in or outside of Singapore to ensure that these third parties comply with the CoC / complete the Checklist.</p> <p>Question 8: Depending on the level of assurance, that is, limited or reasonable, the level of confidence can differ significantly, and hence requirements around clear disclosure of which processes or data are in scope of assurance, and which standards are adopted would need to be stipulated. Some of our members believe it would be premature to suggest voluntary third-party assurance or audit of self-attestations. The preference is to ensure broadest adoption of the CoC.</p> <p>Question 9: We believe that the involvement of Providers in developing the CoC and the expectation of a regulatory framework will provide sufficient encouragement to Providers to adopt the CoC in readiness for a licensing regime.</p> <p>Question 10: We are supportive of the proposal to bring ESG rating providers, particularly those which are based in Singapore, under the CMS licensing regime under the SFA when a regulatory framework is developed. This should ensure accountability, quality and credibility of ESG ratings provided by licensed providers.</p> <p>Question 11: We are seeing similar initiatives to put in place regulatory frameworks for Providers in line with IOSCO recommendations in other jurisdictions. To reduce the duplicative compliance requirements especially for global providers (which would increase the costs of products for users) and simplify the administrative burden on users operating in multiple jurisdictions, we believe it would be beneficial to adopt a mutual recognition framework, to promote regulatory convergence and best practice around IOSCO’s recommendations and enhance investor protection. To the extent that overseas headquartered Providers would be subject to codes of conduct equivalent to the IOSCO recommendations elsewhere, we would suggest jurisdictional equivalence when overseas codes of conduct come into effect.</p>
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		<p>Question 12: We would suggest a monitoring period of at least 12 months and ideally 18 months would allow for sufficient time for observing adoption of and improvements against the CoC. With commensurate formalised regulatory regimes being considered in other jurisdictions, in particular the EU and UK towards the end of 2024, we would also suggest that the MAS consider aligning to this timeline to benefit from ‘lessons learnt’ from the implementation of these other regimes.</p>
3	Ben McQuhae & Co.	<p>Question 1: No comments.</p> <p>Question 2: We provide our answer in the report below. However, for clarity, we believe that SPOs should be scoped as ESG products under the Code of Conduct for the reasons we give in the dedicated section below.</p> <p>Extracted from BMQ report:</p> <p>Second-party opinions (SPOs) are reports provided by specialised agencies to assess the likely compliance of an ESG product to a given international framework. Typically, they are used to provide confidence to interested parties on a financial product’s alignment with up-to-date ESG market practices. For example, when a firm wishes to issue a new green bond, they might use an SPO to signal credibility that the bond adheres to ESG standards, without actually having a formal ESG rating. Despite the benefits they can provide, SPOs have also birthed a range of issues, primarily regarding their lack of a formal regulatory framework.</p> <p>First, SPOs are independent, unregulated assessments that are not subjected to a regulatory framework as would normally be the case with other ratings. In a novel space where regulations drive ESG-product ratings, it is important that SPOs play by the same rules. Considering they were once created as a supplement to regulated ratings, SPOs have slowly become a surrogate to an official rating entirely. The effect of this that a product that is ‘increasingly’ being demanded by investors is both operating in an unchecked area of the financial services arena, but also the usage of the products is also being left unchecked.</p> <p>Second, SPOs are often provided by those same rating agencies that also conduct regulated ESG credit ratings themselves—S&P, Fitch, MSCI. While these agencies clearly have the expertise to conduct such assessments, such a dual role has the risk of embedding a conflict of interest. It could potentially be the case that a formal rating agency is providing such unregulated assessments - for a fee - alongside regulated assessments, or even in place of regulated assessments. Additionally, the purchasing of an SPO could be used as a method to encourage further business relationships.</p> <p>Third, the regulations themselves are fluid and can differ widely internationally. While SPOs can give an assessment of compliance with certain countries’ regulations, it would be quite feasible to cherry-pick specific countries’ regulations for such an assessment. In a space that already has weak consistency in guidelines, such an additional risk could be material.</p>



		<p>Unless country regulations include SPOs, we would expect a significant risk of a parallel market developing in SPOs vs formal ESG ratings. Issuers could potentially ‘shop around’ for better SPOs - perhaps paying a higher price for a better rating - and clearly running a potential credibility risk for the entire market. In such a nascent market as ESG ratings, already at risk of standards confusion, such an additional risk would be material. Well-developed regulatory environments would be well placed to ensure the Code of Conduct route encompasses SPOs to head off this genuine risk.</p> <p>However, it is difficult to determine whether a Code of Conduct would be the appropriate vehicle for regulating something as complex, widespread, and potentially influential as SPOs. It is for this reason that we conclude, below, that a Code of Conduct should be seen as the first stage in a regulatory journey that cumulates in formal regulation. It is at this point that regulating SPOs would become appropriate.</p> <p>Question 3: No comments.</p> <p>Question 4: No comments.</p> <p>Question 5: No comments.</p> <p>Question 6: The Comply-or-Explain is a traditional and well-versed method of enforcing a Code of Conduct in this manner. Our advice to the authority is to make it publicly clear the processes for failing to comply, the relevant stages to development, and the eventual penalties for non-compliance (if any).</p> <p>Question 7: No comments.</p> <p>Question 8: In answer to the question on assurance, we suggest that regulators around the world, include MAS, take great care when delving into the concept of assurance relating to ESG. This is because assurance needs to be solidified component of a much larger infrastructure with a clear rationale underpinning all strategic decisions. For example, whether full or partial-assurance is acceptable is a delicate decision to be taken. Also, the role of third-party assurance providers would then need to be considered from a regulatory point of view, with it arguably being inappropriate to provide a Code of Conduct for that sector, meaning substantial regulatory resources may need to be deployed to set up an effective infrastructure to achieve adequate levels of assurance for the informational flow.</p> <p>Question 9: No comments.</p> <p>Question 10:</p>
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		<p>The eventual plan to incorporate ESG rating agencies into the CMS licensing regime and equate their regulation to that of credit rating agencies is a wise and almost necessary one. A Code of Conduct, in this field, is unfortunately nothing more than a bridging mechanism between a standing start and full regulation. This is simply because of the extraordinary potential that the ESG rating space has in terms of ESG financing facilitation. If, as expected, the marketplace oligopolises and becomes the facilitator the capital markets are waiting for, then a Code of Conduct will cease to be even vaguely appropriate and a full and extensive regulatory framework, complete with a genuine consideration of liability exposure and implementation, will need to be put together.</p> <p>Question 11: Like other jurisdictions, the question of equivalence is an important one. However, the early stage of progress for the ESG rating space means that equivalence is a difficult objective to achieve as only one country so far has formally regulated and, even then, India’s regime is very particular to India. Seeking equivalence based on Codes of Conduct is not appropriate. Therefore, Singapore must decide whether requesting for a presence in her jurisdiction, which foreign providers can accomplish through the simple act of subsidiarisation, both:</p> <ol style="list-style-type: none"> a. provides enough authority for the likes of MAS to govern foreign ESG rating entities, but simultaneously b. does not deter foreign business from conducting business in Singapore. That is a political question perhaps, but we do believe that a registration system that incorporates the potential for foreign subsidiaries located in Singapore to do business could be appropriate. <p>Question 12: Whilst question 12 may be better suited to market participants to answer, we would like to say that there should not be too much time between the establishment of a Code of Conduct and a full regulatory regime. This is because Singapore must ensure that she is well protected from the inherent issues affecting the ESG rating space (which a Code of Conduct does not really achieve). However, it is likely too early in the ESG rating space’s development to fully regulate, so the middle ground could be after, say, 12 months of the Code of Conduct and after 12-18 months of consultation for a full regulatory regime. In this time, the marketplace will likely have changed considerably and present a more opportunistic moment to fully regulate.</p>
4	CDP	<p>Question 1: To build an ambitious and robust regulatory architecture for the provision and use of ESG ratings and data products, regulators should pursue a common baseline to define ESG ratings and data products. CDP welcomes IOSCO’s definitions provided in its Final Report 09/2021 and encourages MAS to:</p> <ul style="list-style-type: none"> - Include an explicit mention that ESG ratings involve a degree of judgement from a rating analyst, whereas ESG scores are a result of quantitative analysis. - Amend both definitions to scope in ESG ratings and data products even where they are not clearly labelled as such, as MAS had previously proposed in its closed-door consultation. IOSCO’s Final Report 09/2021 explains the distinction as follows: “The term “ESG ratings” can refer to the broad spectrum of rating products in sustainable finance and include ESG scorings and ESG rankings. ESG ratings, rankings and



	<p>scorings serve the same objective...However, they differ in the resources and methodologies used. ESG scores usually result from quantitative analysis whereas ESG ratings are produced using both quantitative models and qualitative analysis and are accompanied by analyst reports to explain the ratings. On that basis, ratings may therefore incorporate an element of analytical judgement or opinion.”</p> <p>- Amend the ESG data product definition to consider both specific and holistic ESG assessments, as MAS had previously proposed in its closed-door consultation.</p> <p>CDP commends MAS’s approach to differentiate and exclude credit ratings from the definitions and scope of this Code of Conduct, and further recommends the Authority to maintain this differentiation when designing its regulatory framework.</p> <p>Question 2: No comments.</p> <p>Question 3: CDP welcomes MAS’s definitions for ESG rating and data product providers. As an emerging policy area, it is fundamental for regulators to agree on the territorial scope of their policy initiatives to prevent onerous overlaps for providers and users of ESG ratings and data products. CDP believes that any policy intervention in this space, whether through voluntary measures or prescriptive rules, should scope in providers that participate in the local market, regardless of their location.</p> <p>Question 4: CDP commends MAS’s emphasis on enhancing the transparency of methodologies of ESG ratings and data products, particularly by asking providers to disclose information about the criteria, indicators, and forward-looking data incorporated in their ESG assessments. We welcome a recommendation for providers to disclose whether and how transition risks and opportunities are factored into ESG ratings and data products. In particular, CDP encourages MAS to recommend providers to disclose: - Whether metrics around CapEx, OpEx, and revenues have been considered. - Which taxonomies, frameworks, and initiatives providers have based their methodologies on when assessing transition risks and opportunities. -Whether the validity of the targets estimated by rated/scored entities has been considered, particularly disclosing whether targets are science-based, and if positive, how they were determined. - If and how their methodologies align with MAS’s Credible Transition Planning and Finance for Net Zero Action Plans (FINZ).</p> <p>Question 5: CDP welcomes the publication of the Code of Conduct and commends its mission to improve the functioning of the financial market via stakeholder dialogue. As an emerging policy area, we believe that regulatory initiatives in the space of ESG ratings and data products should pursue global alignment. In this sense, CDP also commends MAS’s initiative to align its Code of Conduct with the principles and recommendations published in IOSCO’s Final Report and Call for Action. On the principles and best practices set out the in draft Code of Conduct:</p> <p>- CDP welcomes principles 1 and 4 and their objectives to foster greater transparency of methodologies of ESG ratings and data products.</p>
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	<p>We applaud the inclusion of best practice 1.K, which is a fundamental recommendation to also prevent conflicts of interest.</p> <p>We also welcome the inclusion of best practices 4.C and 4.D in this version of the CoC, as it is fundamental for users to comprehend how data has been modelled or estimated in the case of data gaps and holes. In addition, CDP would strongly encourage MAS to recommend providers to disclose whether and to what degree their methodologies are science-based. For example, in the case of GHG emissions and transition planning, providers should inform which frameworks and initiatives have been incorporated into their methodologies.</p> <p>- We call the attention of the Monetary Authority of Singapore to Table 5 (page 38) of our recent report “Data for Public Good – Steering the Role of ESG Ratings and Data Products Providers”. In this Table, CDP compares the different disclosure requirements/recommendations regulators are introducing. Based on our findings, we suggest MAS consider recommending providers to also disclose information on the materiality approach for their ESG assessments, and whether the methodologies used are science-based.</p> <p>- Aligned with IOSCO’s recommendations, management of conflicts of interest is a fundamental principle to be included in MAS’s Code of Conduct. CDP acknowledges Principles 2 and 3, aiming to ensure ESG ratings and data products are independently developed and free from conflicts of interest. We reiterate our support towards the inclusion of best practice 3, which is fundamental to safeguard the integrity of ESG assessments. In addition, we strongly encourage MAS to consider reintroducing to the final version of the CoC the best practices listed below, which have been extracted from the MAS closed-door exercise. CDP believes these practices are fundamental to strengthen the mechanisms to prevent, manage, and disclose potential or existing conflicts of interest. “The ESG Rating Provider should:</p> <ul style="list-style-type: none"> i. not enter into any contingent fee arrangement for providing ESG rating services. For the purpose of this paragraph, a contingent fee is a fee the amount of which is determined by reference to the outcome of a transaction or the result of services provided by the ESG Rating Provider; ii. ensure that its personnel who are directly involved in the ESG rating activities do not initiate, or participate in, discussions regarding fees or payments with any rated entity, related third party or any person directly or indirectly linked to the rated entity by control; iii. ensure that none of its personnel participate in ESG rating activities or otherwise influence the determination of an ESG rating of any particular rated entity if the personnel – <ul style="list-style-type: none"> 1. owns capital markets products of the rated entity, other than holdings in diversified collective investment schemes; 2. owns capital markets products of any entity related to a rated entity, the ownership of which may cause or may be perceived as causing a conflict of interest, other than holdings in diversified collective investment schemes; 3. has had a recent employment or other significant business relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; 4. has an immediate family member who currently works for the rated entity; or iv. has, or had, any other relationship with the rated entity or any related party thereof that may cause or may be perceived as causing a conflict of interest; and b. ensure
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		<p>that any personnel who is directly involved in ESG rating activities (or his or her spouse or minor children or any account that is controlled by the personnel in which he/she has a beneficial interest) should not buy or sell or engage in any transaction in capital markets products based on the capital markets products issued, guaranteed, or otherwise supported by any rated entity within such personnel’s area of primary analytical responsibility, other than holdings in diversified collective investment schemes.”</p> <p>- CDP would also welcome a recommendation from MAS for providers to establish firewalls between sales and evaluation divisions within their business structures. We believe this is important to enhance the robustness of the mechanisms intended to prevent and mitigate potential and existing conflicts of interest. The establishment of firewalls has also been recommended by Japan’s Financial Services Agency in Principle 3, Guideline 2, of their Code of Conduct for ESG Evaluation and Data Providers.</p> <p>Question 6: As a voluntary Code of Conduct, CDP agrees that it should be adhered to on a “comply or explain” basis for the following reasons:</p> <p>- The ESG ratings and data products market is both nascent and extremely innovative. A “comply or explain” code would allow smaller and younger providers to adopt it and comply with applicable recommendations, while continuously devoting efforts to develop novel products and approaches.</p> <p>- Similarly, given that regulation of ESG ratings and data products is an emerging policy area, adopting a “comply or explain” approach gives ample room and time for the market to react and adapt to regulatory expectations and developments. It also allows providers and users to gradually implement necessary changes in their operations that may prepare them for more robust regulatory requirements.</p> <p>- Additionally, a “comply or explain” approach allows MAS to review and enhance the requirements as the use and provision of ESG ratings and data products mature. It may also give MAS further flexibility to promptly pursue best regulatory practices in this area as the topic evolves.</p> <p>- Other Codes of Conduct, such as from Japan’s FSA and potentially the UK FCA also function on a “comply or explain” basis. Adopting a harmonized approach can reduce the risk of fragmentation in the regulatory architecture of ESG ratings and data products. In doing so, MAS could contribute to the development of a robust and globally aligned baseline of recommendations and/or requirements in the issuance and integration of ESG ratings and data products into decision-making processes.</p> <p>- As different standards and requirements are developing around the world, a comply or explain, principles-based model allows new entrants and not-for-profits such as CDP to adopt and then adapt the mechanisms required to comply with requirements in a proportionate way. An apply or explain model would be more easily attainable but would favour larger, existing private-sector market participants. An apply and explain model would give an advantage to those organizations with the resources to change systems and processes to fit specific</p>
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		<p>rules and standards, even where this would not serve the market or the MAS’s sustainability agenda. This could potentially stifle innovation and inhibit Singapore’s growth as a hub for ESG and sustainable finance in the APAC region.</p> <p>Question 7: CDP appreciates the proposed Checklist in Annex 2 and we applaud MAS’s initiative to differentiate which best practices correspond to IOSCO and which are particular to Singapore. The Checklist may serve as a reliable and easy tool for users to identify which providers are compliant with the CoC and under which capacities. In addition, it may serve as an informative guide for investors to decide which providers to rely on when using ESG ratings and data products for decision-making processes. Similarly, the Checklist may also help providers indicate to policymakers and users their compliance or explanation with the principles and best practices established in the CoC. Therefore, we believe that the Checklist is a useful complement to the CoC and should be retained in its current form.</p> <p>Question 8: CDP welcomes third-party assurance or audit on providers’ self-attestations if on a voluntary basis. If included as a requirement, CDP believes that it will inhibit the uptake of the Code adherence and therefore its effectiveness. Smaller and younger providers may not have the financial capacity to allocate resources for auditing and third-party assurance. This requirement could also hinder smaller providers from entering or remaining in the market of ESG ratings and data products. A need for third-party assurance or audit of ESG data could also create additional costs and raise the administrative burden for reporting firms, potentially deterring some from disclosing ESG data and degrading the overall data environment.</p> <p>Question 9: No comments.</p> <p>Question 10: CDP believes it would be reasonable for MAS to implement considered and proportionate inclusion of ESG ratings providers into the CMS licensing regime but solely when CDP’s customers use ESG ratings for specific activities which relate to financial services. This could include (we would suggest) investments like shares, debt issued by firms, governments, and other public sector bodies, as well as other types of financial products such as loans, units in a collective investment scheme, and contracts of insurance. Broadly speaking, CDP welcomes policy initiatives that are focused on robust governance, management of conflicts of interest, and enhancing transparency of methodologies of ESG ratings and data products. If based on these principles, CDP would welcome a regulatory framework for the provision of ESG ratings in Singapore. To strengthen the regulatory architecture of ESG ratings, we strongly encourage MAS to:</p> <ul style="list-style-type: none">- Consider reviewing its definition for ESG ratings, as per our response to Question 1 of this consultation.- Adopt territorial scope based on participation in the market, as opposed to location of the user or provider, to avoid market confusion and contradiction across policy initiatives and jurisdictions. Our response to Question 11 provides additional context for this recommendation.
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		<p>- Foster transparency of methodologies of ESG ratings and data products by specifying the type and level of information providers need to disclose. To be precise:</p> <ul style="list-style-type: none">○ To avoid fragmentation across policy initiatives, MAS could adopt the procedure outlined in IOSCO’s Recommendation 5 as a baseline and minimum requirement for disclosure.○ MAS could require ESG ratings providers to include information about the materiality approach adopted in their assessments and encourage market players to focus on those that cover both sustainability-related financial information and impact on people and planet.○ In finding a balance between quantity and quality of information disclosed, MAS could also provide simple guidelines on the format of transparency of methodologies. <p>This would allow users to easily access the necessary information to decide on whether to use certain evaluation tools. It would also help providers become more assertive on the content and format of information that needs to be transparent. These guidelines could come after consultation with users and providers of ESG ratings to ensure accessibility and comprehension of the information.</p> <p>Question 11: Thus far, CDP has identified three different approaches in terms of territorial scope, with regulators establishing oversight based on:</p> <ol style="list-style-type: none">1) where the ESG ratings provider is based;2) the location of users of ESG rating; and3) markets in which providers operate. <p>CDP recommends that the MAS pursues the third option, in line with the Japanese Code of Conduct and the proposal under consideration by the EU Commission. We believe this is the most inclusive approach, as it levels the requirements and recommendations for providers issuing ESG ratings in the Singaporean market, regardless of their location. It also reflects the current nature of the market, as many providers operate globally. Lastly, this approach is more straightforward than, for example, regulating providers based on the location of the user, as this would require providers to know exactly who and where the users are at all times when publishing an ESG rating. This would present an unreasonable burden on providers and could inhibit the growth and accessibility of ESG ratings and products. To secure innovation in the market and ensure the entrance and continuation of smaller providers, CDP recommends MAS to consider clauses of proportionality in its regulatory framework. Further, we also encourage MAS to consider adopting an equivalence regime for providers who are based in jurisdictions which have already implemented aligned regulatory frameworks for ESG ratings.</p> <p>Question 12: CDP recommends MAS to adopt a 12-month monitoring period from the publication of the CoC to assess its adherence and effectiveness in addressing shortcomings in the market. Prior to consulting a more formalized regulatory regime, CDP strongly urges MAS to consider what other jurisdictions are proposing in this space. In our latest policy brief “Data for Public Good – Steering the Role of ESG Ratings and Data Products Providers”, CDP compares different policy initiatives in this space and</p>
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		<p>outlines concerns about fragmentation in the regulatory architecture of these data tools. To prevent fragmentation and to ensure global alignment, CDP recommends MAS to base its regulatory regime on IOSCO’s recommendations and to pursue a common, global baseline for the definitions of ESG ratings and data products and their providers.</p>
5	CFA Society Singapore	<p>Question 1: We are comfortable with the proposed definitions of “ESG rating” and “ESG data product” as these definitions are similar to the definitions in the IOSCO Report. Adopting the IOSCO Report definitions encourages interoperability with other capital markets.</p> <p>Question 2: SPOs (or more broadly external reviews) should be scoped into a category which requires SPO providers to follow the Principles as outlined in Annex 1: Draft Code of Conduct for ESG Rating and Data Product Providers. In many ways, this is no different from auditors signing off on financial statements of any company. Subjecting SPO providers to the Principles in Annex1 will provide additional assurance and credibility to stakeholders.</p> <p>Question 3: We are in general agreement with the proposed definitions. We could plausibly explore specifying that ESG data product providers are generally entities which provide ESG data utilising output from proprietary research. This will exclude the categories in clause 3.7.4 in Annex 1: Draft Code of Conduct for ESG Rating and Data Product Providers.</p> <p>Question 4: See response in Question 5.</p> <p>Question 5: We believe the principles and best practices (including the additional yellow highlighted clauses in Annex 1) to be reasonable and comprehensive. They will serve to bolster integrity of ratings. The following are some additional views with ESG rating:</p> <ul style="list-style-type: none"> - Some definitions of 'ESG rating' are too broad. Ratings should be fit-for-purpose like credit ratings. An entire regulated industry has evolved to provide clear definitions to credit ratings as well as implications of good and bad credit ratings (as opposed to for example - does a good environment rating implies being on track for net zero by 2030, or contributing to the goal of limiting global temperature increase to 1.5 Celsius?). In addition, investment screening is based off such credit ratings. And similarly, investment strategies are defined by such ratings (e.g., investment grade mandates does not allow for allocation to bonds below a specified (and regulated) credit rating). - We reiterate calls for more transparency and information such as purpose of ESG rating, for which financial products are ratings meant for, methodology (e.g. measurement for emissions are generally more precise vs social factors, and hence there is a need to understand how social factors have been taken into account), and weightage assigned to each component.



		<p>Question 6: We agree with the “Comply or Explain” basis. This is also in line with the ESG corporate disclosures for the listed (and in future) unlisted companies.</p> <p>Question 7: No comments.</p> <p>Question 8: The big companies (MSCI, Sustainalytics/Morningstar, Fitch, S&P) are well recognised. They would probably not need third party assurance. Nevertheless, emerging ESG rating providers offering, for example, new methodologies like the use of AI or analysis of unstructured data, might benefit from having third-party assurance. The assurance would help emerging ESG rating providers market their products.</p> <p>Question 9: No comments.</p> <p>Question 10: No comments.</p> <p>Question 11: No comments.</p> <p>Question 12: No comments.</p>
6	CNeutral.io	<p>Question 1: We welcome the separation between opinion-based (ESG rating) and data-based (ESG data) products.</p> <p>Both ESG rating and ESG data products exclude “research analyses or research reports concerning any investment product” within the scope of Financial Advisers act of 2001. Said Act of 2001 in its “Second schedule” sadly does not specify what exactly constitutes “research analyses or research reports” in the context of the exclusive activity of a financial advisor. An ESG data product which compares, e.g., Greenhouse gases emissions of a company to those of another company or to the industry targets, can be interpreted as research analysis or a research report connected to a financial product represented by the company’s stock. We would appreciate a clearer separation between ESG data products on the one hand, and activities of a financial advisor, on the other hand – a separation which would leave the space for the ESG focused research reports and research analyses. We do realize that ESG focused research reports and research analyses could be used in the analysis of a financial product. By itself they do not represent financial advice. Replacing “-research analyses or research reports concerning any investment product that is issued or promulgated by a licensed or exempt financial adviser under the Financial Advisers Act 2001” in the exclusion list by a more focused statement such as “- an investment advice under the Financial Advisers Act 2001”.</p>



	<p>ESG data product definition excludes “raw data or aggregated raw data which does not entail added estimations, calculation or analysis”. In the course of providing estimations, calculations or analysis an ESG data provider could refer to, or display raw or aggregated raw data (e.g. on emissions) and provide third party ESG rating as raw data or as aggregated raw data when said data are present in the raw data sources. We would like to see a clearer separation between the ESG focused raw data which does not have any added value from ESG data products which add value but also can display relevant raw data. Adding “solely” to this exclusion item will make it possible: “- providing solely raw data or aggregate raw data”.</p> <p>CoC should include a definition of raw data, for example “company and third-party reports and data reproduced verbatim”.</p> <p>Question 2: We share the view that external reviews such as Second Party Opinion should be in scope for the Code of Conduct. We believe the scope of the Second Party Opinions should be more clearly defined. The SPOs’ focus should be on transparency, disclosure, potential conflicts of interest, and compliance with the established ESG reporting frameworks.</p> <p>Question 3: We agree an entity providing ESG ratings in relation to securities or derivatives in Singapore or out of Singapore is in scope of the proposed Code of Conduct. Exclusion of academic institutions solely providing specialized knowledge and data for academic purposes is justified if there are assurances of objectivity, impartiality, and the absence of conflict of interest from said academic institutions. A declaration of the absence or potential presence of conflict of interest, commonly accepted in academic literature, should suffice.</p> <p>Question 4: We welcome the proposed explicit separation of forward-looking statements from factual information. Forward-looking statements, such as strategic plans, are subject to various levels of uncertainty including deep uncertainty (“unknown unknowns”). Only on rare occasions are the corresponding risks quantifiable. We believe that the characteristic of a good conduct for a data provider is to supplement forward-looking statements with qualitative or semi-quantitative likelihood qualifications (improbable, probable, highly unlikely, likely, highly likely, etc.).</p> <p>Specifically, we suggest that in the context of forward-looking statements, ESG raters or data providers should be expected to perform sensitivity or scenario analysis to evaluate firm performance under different transition pathways, depending on the levels of carbon prices, carbon taxes, and regulatory stringency. To gauge firms’ potential to capitalize on transition opportunities, the analyses should include forward-looking measures, such as emissions reduction targets, renewable energy adoption, sustainable financing activities, and social goals.</p> <p>Question 5: Principle 1: Best practices. While we support the requirement of transparency. Details of related methodologies should be defined individually by each ESG rating and data product provider. We support the motivation to ensure high quality ESG ratings and data</p>
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	<p>products. However, in our opinion, rather than being prescriptive regarding minute details of internal policies, it’s best to provide guidelines regarding what high quality ratings and data products are. Many items in this section seem to define the product through the prescription of internal rules and policies which are not ESG ratings or data product specific. For example:</p> <p>Best Practice 1h: the requirement for the personnel to be “professional, competent and ... of integrity” is unnecessary. Every successful service company must ensure that its personnel is professional, competent and has high integrity. For this reason, we believe this item is redundant.</p> <p>Principle 2: We welcome the suggestion that providers should adhere to the principle of independence and avoid the possibility of conflict of interest and that the corresponding policies and procedures be adopted by each provider.</p> <p>Principle 3: We welcome the suggestion that ESG ratings and data product providers disclose potential conflicts. Best practices: We believe that rather than prescribe internal policies and procedures, it is best to thoroughly define conflict (or potential conflict) of interest and provide examples. Examples of activities that may create conflict of interest are given in Best Practices 2 (f, g) and Best Practice 3.</p> <p>Principle 5: Disclosure of non-public information obtained from an entity or from its agents is covered by corresponding non-disclosure agreements between providers and entities. Internal policies covering public speaking and confidentiality are not ESG ratings and data product specific. For this reason, we believe that Principle 5 and the corresponding Best Practices 5a and 5b are redundant.</p> <p>Principle 6: Efficiency of information gathering and processing is not ESG ratings and data product specific. For this reason, Principle 6 is redundant.</p> <p>Principle 7: We welcome the suggestions regarding addressing the issues raised by the covered entity.</p> <p>Question 6: An uneven application of the Code of Conduct by ESG Rating Providers may result in biased selection by some clients towards service providers that provide higher ratings. Non-compliant providers may have methodologies when applied to specific companies that adjust ratings that not only incorporate company unique factors but elements of judgment of in-house company and industry analysts that inadvertently assist certain industry segments or companies. For asset managers, a clear regulatory environment that requires the highest level of transparency and compliance with a uniform and straightforward code of conduct will provide a framework that facilitates comparison between ESG ratings and data product providers and, ultimately, improves confidence of investors.</p> <p>Question 7: A checklist based on adopted principles and best practices enables identification of compliant providers. Some items in Annex 2 checklist refer to the principles and best practices which duplicates the CoC.</p> <p>Question 8:</p>
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	<p>While a checklist by ESG providers will increase transparency for investors', some will not have the expertise to determine the comprehensiveness or robustness of such a checklist. A third-party assurance will allow an in-depth understanding of:</p> <ul style="list-style-type: none"> - ESG providers data, model(s), methodologies, and process. - More specifically, during the assurance process, the models' parameters, assumptions, heuristics can be validated, - Area(s) where judgment is applied will be highlighted and size of impact to ratings clarified. - If industry and /or pillar-based approaches are taken, the approach and impact for normalization and aggregation across sectors to the Ratings need to be audited. <p>The assurant party will need to submit to MAS:</p> <ul style="list-style-type: none"> - an audit roadmap of process, models, data, adjustments - such parties will need to certified by MAS - The opinion will be published, retained, and filed with MAS. - The opinion will provide ordinal ranking on point of the checklist for transparency and fairness to investors and clear explanation of such ranking. <p>The fees amount paid for such assurance services and related services should also be made known as part of the opinion.</p> <p>Question 9: Sovereign Wealth Funds, large asset managers based in Singapore, and investment products that are sold to Singapore based investors will be required to designate clearly if their ESG products are CoC compliant. CoC should encourage feedback from stakeholders (e.g., investors and academic researchers) about the information content of ESG products.</p> <p>Question 10: If ratings and data are used directly by asset managers as material factors in their portfolio allocation and/or risk management process, then these providers should eventually need to be licensed under the CMS regime as these analytics have bearings on investors' decision to buy or sell the products.</p> <p>Question 11: To ensure that investors based in Singapore do not face confusion and discrepancies, it is important that ESG and Data providers are not treated differently based on their domicile of operations or registration. A regulatory regime where overseas vendors are treated on a pari-passu basis with domestic vendors will ensure that there is a level playing field.</p> <p>Question 12: Rapid growth of ESG-conscious investment and ESG-focused financial products suggests that an aggressive schedule for formalized adoption take place between 12 to 24 months signaling to the market a strong bias towards a shorter time frame.</p> <p>Other Comments: To minimize regulatory arbitrage, investors rely on regulators to encourage the creation of a harmonized and fair set of metrics to ensure that ratings are comparable across industries and geographies. A precondition for such</p>
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	<p>harmonization is the widespread adoption of a comprehensive Code of Conduct. We welcome the phased and proportional regulatory approach adopted by MAS. Above are the answers to the questions posed in the consultation paper and additional considerations we hope MAS will find helpful.</p> <p>Appendix 1: Some Suggested Additional Considerations</p> <p>Encouraging factual accuracy, objectivity with modern technology Proposed and future regulation should encourage ESG raters or data providers to utilize emerging technologies to enhance the collection, analysis, and objective reporting of factual sustainability-related information. For example, it can be considered a good conduct to strive to use, e.g., IoT devices and satellite services to gather real-time energy consumption, waste management, and emission data. Drones and satellites can be used to monitor physical assets and identify potential risks, advanced algorithms can process vast amounts of data, including unstructured text data, and identify trends and patterns in risk and opportunities.</p> <p>Promoting transparency A good conduct is for ESG raters or data providers to be transparent with respect to their income structure and source, to maintain a well-defined and transparent ESG data-generating methodology, and to regularly conduct internal and external audits of data generating processes and practices to identify and address potential conflicts of interest. Ensuring healthy competition Regulators should encourage competition in ESG data production to foster diverse perspectives, stimulate innovations in data-generating and ESG-rating methodologies, enhance ESG data quality, and lower the cost of ESG data for users. The regulators should also prevent anti-competitive practices, ensuring that ESG raters or data providers have access to a variety of data options.</p> <p>Algorithms and documentation</p> <ul style="list-style-type: none"> - All ESG ratings and data providers should maintain internal documentation specifying in plain language and mathematical or algorithmic formulas, where needed, steps required to produce the corresponding rating and data product. Steps where subjective judgements, opinions, heuristics, estimations are used should explain the rationale underlying each judgment, opinion, heuristic, and estimation. - Documentation should be sufficiently complete so that a reasonably skilled individual is able to reproduce the corresponding ratings and products given the initial information and the steps described in the documentation. - Inputs, algorithms and documentation should be properly maintained and versioned. If needed, ESG ratings and data product providers should be able to reproduce and explain past ratings and data products. <p>Declaration of Related Party Interests: Rating Providers will need to declare potential conflict if within the same group rating investment services are provided to companies that are being assessed or surveilled for ESG Rating.</p>
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7	Environmental Resources (S) Management Pte Ltd	<p>Question 1: The definitions and exclusions are very comprehensive. A few recommendations to supplement and enhance the definitions, are explained under Question 3.</p> <p>Question 2: No as SPOs are essentially bespoke and analyzed information that are derivative in nature and not raw data per se.</p> <p>Question 3: “ESG Ratings provider” - Some providers may perform ratings on countries and sectors too and such ratings could be use as supplementary / peripheral information. This is beyond the scope of “activities and institutions in the securities and derivatives industry’. “ESG Data Product Provider” – Data Providers should have standard guidance on data estimation models(especially for GHG accounting). Currently the ESG Data Provider definition is stated to not include raw data or aggregated raw data which does not entail added estimations, calculations or analysis [reference to annex 1, definition of ESG data product]</p> <p>Question 4: With respect ESG Ratings [Reference to Consultation Paper, main draft, section 3.6.4], we recommend including a support paper explaining the comparison and differentiation with other market available ESG rating frameworks. A cross-mapping between different rating providers will help in early implementation and adoption. Also, there needs to be an explicit indication of time periods (i.e. 2030,2050,2080) in framing the alleged risks and opportunities, as well as any key transition risk models used to underpin such analysis (e,g IPCC CIMP6).</p> <p>Question 5: For best practice Principle 1: - Recommend explicitly mentioning data estimation methods, in addition to rating methodologies. - Recommend explicitly mentioning rules and methodologies for data proxies, if used for deriving ESG ratings - Recommend including guidance for smart fetch of publicly available data (in reference to point (f), requiring review of the ESG ratings upon becoming aware of any public information that may reasonably be expected to result in a revision or termination of the ESG ratings, consistent with the rating methodology; and updating on a timely basis the ESG ratings, as appropriate, based on the results of such review;</p> <p>For best practice Principle 3: - Regarding ESG rating and Data Provider to appropriately manage, mitigate and disclose potential conflicts of interest that may compromise the independence and objectivity of its operations; we recommend including a supplement guidance cross-referencing to other ESG ratings. - Additional scrutiny should be layered upon providers that also possess second party opinions or third-party assurance (in addition to ratings) lines of business, to avoid potential conflict of interests.</p>
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	<p>Question 6: Yes, it should be implemented with sufficient heads-up given (e.g effective 2024) so that providers have sufficient time to decide and prepare accordingly. We also recommend changing this to ‘Comply or Explaining Deviation’. In addition, the CoC should define permissible threshold for deviations from CoC.</p> <p>Question 7: Regarding Principle 1, focus on Singapore specific focus on public data review, we recommend confirming the exclusivity of this best practice for Singapore, as a number of rating / ESG disclosure frameworks like MSCI, DJSI etc. are known to include impact of public data on final ratings. Regarding Principle 4, we recommend providing a sample description in the input box (as it is currently free text in nature). Pertinent parameters could include the scope (attributes used), measurement (raw data and related boundaries) and weights(importance of attributes) so that there is less ambiguity in disclosure.</p> <p>Question 8: Ideally so and MAS may want to publish a list of recognized external reviewers as well.</p> <p>Question 9: Invite providers who have already been “rated well” by external surveys, think-tanks (e.g. ERM Sustainability Institute – “Rate the raters report”) to be first-movers in the adoption of the CoC.</p> <p>Question 10: Such a measure may be excessive. Unlike credit rating agencies whereby credit ratings have an established causal relationship with pricing (or financial outcomes), the case for ESG ratings is less clear presently.</p> <p>Question 11: Yes, as the users (e.g., investors) of such ratings are in Singapore, their interests should be protected. Hence even if the providers are offshore, the same requirements should apply. Moreover, users in Singapore should not be given any room for “policy arbitrages” by choosing offshore raters who are either are not subject to such a regime or able to provide more “favorable” ratings elsewhere.</p> <p>Question 12: We think ~6-12 months as broader frameworks such as CSRD, SEC get implemented in scale which may set the overall pace. Clarity around TNFD and SBTN disclosures also fall within this time frame which may have spillovers into assessment methodologies for rating providers. Finally, the formalization/rollouts of similar regimes specific to ratings by other central banks(particularly key global financial hubs) such as UK FCA, SEBI, EC should be the most important milestones to track.</p>
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8	FIL Investment Management (Singapore) Ltd	<p>Question 1: ESG data sets or analysis provided by Machine Learning (AI) approaches should be explicitly in scope. It is critical to understand the bias inherent within the model and how categorization is occurring to understand and use the data provided appropriately. This should be treated in the same way as traditional analysis. It is important to explicitly exclude raw data that is collected or sourced without analysis, calculation, or estimation. Similarly, the Code should clarify its applicability to internal ESG analysis and ratings developed by industry participants. In our view, these should be out of scope. We would only suggest bringing them in scope only if they are offered commercially as stand-alone products.</p> <p>Question 2: Alignment with IOSCO or global standards (excluded from scope) is preferred to ensure global consistency and ease of comparison across jurisdictions and entities.</p> <p>Question 3: We note MAS intends to apply the CoC to product providers based overseas but provide the ESG ratings and/or data products that relate to activities and institutions in the securities and derivatives industry in Singapore. Given the providers are based overseas and the ESG ratings and data products may be procured by financial institutions in Singapore on their own accord, how would MAS supervise and oblige the providers to adopt the CoC?</p> <p>Question 4: Transition risks are relevant for several ESG issues. It should be framed more broadly i.e., vulnerable to future changes such as business resilience to policy or other shifting stakeholder expectations. Therefore, it should be linked to how forward looking a ranking is which is an important component of analysis. MAS states that adequate disclosure by providers on whether they consider forward-looking elements in their products is crucial. As transition risks are very broad in nature and can be difficult to quantify or model. We would like to clarify with MAS if there is a standardised manner of disclosing the forward-looking elements or do providers disclose them through a descriptive paragraph about how these kinds of risks and opportunities are considered in the ratings or analysis where relevant.</p> <p>Question 5: Overall, the code of conduct appears robust and practical. However, the use of ‘ensure’ maybe too strongly worded in a few places. For example, it is not practical to expect 100% of all available data to always be reflected in an ESG rating or data product. A standard disclosure template for providers who target retail investors would be a helpful addition to the CoC.</p> <p>Question 6: Adopting a “Comply or Explain” basis is appropriate for a CoC. This could be reviewed again as the industry and regulations mature. This will also help ensure that we can adopt a higher standard in the CoC without risk of stifling innovation or start-ups.</p> <p>Question 7: We are not sure whether the checklist will materially help facilitate cross-jurisdictional comparison of standards with the codes of conduct in other</p>
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		<p>jurisdictions. However, the checklist is very detailed and would help demonstrate the extent to which the CoC has been followed and be helpful if a user of the data was particularly concerned about a specific element such as conflicts of interest.</p> <p>Question 8: The ESG provide data and ratings are in nascent. It is a little premature to demand third party assurance or audit. The need could be reviewed at a later stage when the industry is more developed.</p> <p>Question 9: We would like MAS to provide a standard disclosure template for methodology, including the bias included within a model and actual example of what outcomes to expect. This would help users understand the differences between ESG data sets and in particular ratings.</p> <p>Question 10: This appears to make sense once a regulatory framework is deployed.</p> <p>Question 11: This will depend on the extent to which local requirements are aligned with global requirements. The potential for ‘passporting’ or mutual recognition would be beneficial to avoid costly duplication of disclosure and compliance requirements. Also, MAS should be cognizant that there could be situations where Singapore financial institutions may, for good reasons, unilaterally subscribe to ESG data and ratings offered by overseas-based providers. Currently, the ESG products and ratings are consumed by financial institutions, which are sophisticated and able to protect their interests, and not by retail investors. We question the merits of subjecting the providers to a regulatory regime.</p> <p>Question 12: This could also depend on the progress of international regulations. It could be problematic to be a first mover and adopt regulation inconsistent with the global standard. We would encourage adoption of a regulatory regime to be predicated on the establishment of regimes in other jurisdictions.</p> <p>Other Comments:</p> <ul style="list-style-type: none"> - We advocate a phased approach that will allow time to see how regulations in other countries emerge. This avoids potentially conflicting requirements in different markets. - Conflict of Interest and Governance are important concerns for rating providers. This includes undue influence from external parties (which can include political pressure, or pressure from groups with vested interests to have either a higher or lower rating on a class of issuers or specific treatment of a controversy arising on a given topic or within a given country). - A contributing factor to the lack of trust in ESG rating providers is a lack of understanding about what an ESG rating is measuring, and equally importantly, what it is not measuring. This is not necessarily a challenge due to lack of disclosure or transparency from data providers (detailed methodological information is typically available to customers). The challenge is more that this is not provided in
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		<p>a way that retail investors can easily understand or consume. In instances where the ratings are consumed by retail investors, we would suggest a standard disclosure document (similar to the SDR templates suggested for retail funds) that categorises and summarizes the approach taken by the data provider, and what this means for expected outcomes (i.e. absolute vs. sector relative; product focused vs. Operational focus; frameworks vs. outcomes; normalization methodology and impacts i.e. What a score actually means; if the data used is forward or backward looking and if a forward-looking claim is made, how is this substantiated. Most providers claim use of policies and targets means a score is forward looking, which is a contestable statement).</p>
9	ICI Global	<p>Question 1: The definitions of “ESG rating” and “ESG data product” should specifically exclude data, research, analyses, and ratings solely produced for internal or intra-group use (Note: we use the term “intra-group” to describe the ultimate holding company, its subsidiaries and any other company or entity treated as part of the ultimate holding company’s group of companies.). We welcome MAS’ approach to defining ESG ratings and data products in a way that aligns with the IOSCO November 2021 recommendations, and support carving out specific types of products where best practices in the code of conduct do not generally need to be applied. In line with this principle, we recommend MAS clarify that ESG ratings and data produced for internal use and not intended to be sold or distributed beyond the same corporate group of affiliated companies are excluded from the definitions of “ESG rating” and “ESG data product.” This clarification would adhere to MAS’ stated policy goals and better align MAS’ code of conduct with similar regulatory and voluntary initiatives in other jurisdictions. Specifically, we recommend MAS include the following language to the list of exclusions under both the definitions of “ESG rating” and “ESG data product”: “research analyses, research reports, compiled data or ratings produced by, and used or consumed only within the same corporate group of affiliated companies and are not provided or marketed to third parties on a commercial basis (e.g., for a fee).” Distinguishing between ESG ratings and data produced for internal use from products commercially distributed to external parties is especially important for the asset management industry. Asset managers collect ESG data, research, analytics, and ratings from various sources (e.g., regulatory filings, sustainability reports, publicly available data sets, commercial service providers, etc.), and develop analyses based on their specific needs and investment strategies of the relevant funds they manage. These ratings and data are developed for internal use, not for commercial purposes or for distribution to third parties or the wider public, and for manufacturing the end products, i.e., investment funds. As MAS noted in the Consultation Paper, its policy intention is to capture ESG ratings and data products where it is important for the providers to put in place proper controls on governance and management of conflicts of interest, and provide sufficient transparency of methodologies and data sources. Asset managers’ internal processes for evaluating portfolio companies and other investments, including the use of data and estimations, are already subject to current regulatory and business conduct requirements in Singapore. It would be unnecessary to have a separate set of rules, or code of conduct, that would specifically apply to asset managers’ processes for assessing the ESG aspects of their investments. The suggested clarification would enhance the interoperability of Singapore’s code of conduct with similar policy initiatives in other jurisdictions. For example, Japan and the UK, while adopting IOSCO’s definitions for ESG ratings and</p>



		<p>data, each specifically clarify that the ESG ratings and data produced for internal purposes are not intended to be captured by their respective voluntary codes of conduct. The Japan Financial Services Agency states that the code of conduct applies to a provider who “provides ESG evaluations and data services as part of its business,” while the ESG Data and Ratings Working Group, convened by the UK Financial Conduct Authority, clarified that “entities who produce ESG ratings/scores or ESG data products that are used or consumed only within the same corporate group of affiliated companies and are therefore not provided or marketed to third parties” are not within scope of its recent proposed code of conduct. Similarly, both the EU and the UK exclude ESG ratings produced for internal purposes in their proposed regulatory regimes for ESG ratings providers. The European Commission stated in its proposed regulation on ESG ratings providers that “[n]either should such rules apply to ESG ratings produced by European financial undertakings that are used for internal purposes.” This sentiment is echoed by the HM Treasury, noting that “it may not be appropriate to include ESG assessments where ratings are created by an entity solely for use by that entity.”</p> <p>Question 2: No comments.</p> <p>Question 3: No comments.</p> <p>Question 4: No comments.</p> <p>Question 5: No comments.</p> <p>Question 6: No comments.</p> <p>Question 7: No comments.</p> <p>Question 8: No comments.</p> <p>Question 9: No comments.</p> <p>Question 10: No comments.</p> <p>Question 11: No comments.</p> <p>Question 12: No comments.</p>
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10	International Swaps and Derivatives Association (“ISDA”)	<p>Question 1:</p> <p>Scope: ISDA agrees with MAS’ proposal to define ESG ratings and data products broadly, and in line with how these are defined in the IOSCO Report and the established codes of conduct for other jurisdictions, such as Japan or the UK’s respective Codes of Conduct.</p> <p>Exclusions: We recognise that this is a voluntary code. However, we believe it is important to maximise global interoperability and ensure sufficient clarity of in-scope activities and exclusions to support innovation and enhance workability. As such, we agree that the following entities and products should be identified as excluded from its scope:</p> <ul style="list-style-type: none"> - Credit rating and research analyses for any investment product. These activities are already heavily regulated under the Securities and Futures Act 2001 (SFA) and the Financial Advisers Act 2001 respectively, and adding further regulatory requirements may lead to duplication or even conflicting requirements. - Financial benchmarks administrators - while financial benchmarks have been excluded from the definition of ESG data products, we recommend that this exclusion also be added to the definition of ESG rating products. - Raw data or aggregated raw data which does not entail added estimations, calculations, or analysis. <p>In addition, we recommend that the following should also be excluded:</p> <ul style="list-style-type: none"> - Entities who do not provide or market ESG ratings/scores or ESG data products to third parties (e.g., entities that only produce ratings / scores / products that are used or consumed only within the same corporate group of affiliated companies for internal purposes or provide in-house financial services and products) should be excluded from the CoC. - Entities whose commercial activities involve ESG consulting services, but that do not involve the provision of any ESG rating/score or ESG data product; - Proxy advisers; Some other items where the risk of harm is low. For example the current definition could capture metrics that are derived from ESG ratings (e.g. proprietary derived ratings or scores). - Financial products which are screened for ESG characteristics (whether this is a fund or another product offering, such as eligible collateral). <p>Question 2: ISDA recommends that the Code applied proportionately to second party opinions. If these opinions are limited to assessing a particular product against existing standards, many of the governance and transparency measures proposed in the Code may be disproportionate although measures to manage and disclose potential conflicts of interest would be appropriate. This recommendation also aligns with our response to question 8. Furthermore, applying the Code to second party opinions provided in the context of sustainability-linked bonds, loans and derivatives could assuage greenwashing concerns related to their use.</p>
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	<p>Question 3:</p> <p>It is our understanding, and it would be helpful if MAS could explicitly clarify, that the activity of “offering” or “providing” ESG ratings relates to the production of such ratings and does not capture the distribution or placement of a third party produced ESG rating by a financial services intermediary (for example where embedded within a bond or other financial instrument). Defining the activity as “producing ESG ratings” would further clarify this.</p> <p>Although the exclusions for the definition of 'ESG Data Provider' have helped alleviate some confusion, we also recommend defining the activity as “producing ESG data” to provide greater clarity. In addition, in accordance with IOSCO’s recommendations, entities should fall under the CoC as “ESG Rating Provider” or “ESG Data Provider” only when their ESG products are “marketed” to third parties. For instance, we noted one variation between MAS’s definition and IOSCO’s definition is IOSCO is setting that criterion of “marketed” ESG Data or Rating delivery as a key parameter: The IOSCO definition of ESG rating products refers to: “ratings products that are marketed as providing an opinion regarding an entity, a financial instrument or a product, a company’s ESG profile or characteristics or exposure to ESG, climatic or environmental risks or impact on society and the environment that are issued using a defined ranking system of rating categories.” The IOSCO definition of ESG data products refers to: “the broad spectrum of data products that are marketed as providing either a specific E, S, or G focus or a holistic ESG focus on an entity, financial instrument, product or company’s ESG profile or characteristics or exposure to ESG, climatic or environmental risks or impact on society and the environment, whether or not they are explicitly labelled as “ESG data products”.” As mentioned by MAS, a more detailed local regulatory regime will be developed when there is greater global regulatory convergence. ISDA members support the use of IOSCO recommendations as the basis for developing the local regulatory regime in the future. It is noteworthy that MAS has defined the ESG Rating or Data Product Provider as entities who provide the products in relation to activities and institutions in the securities and derivatives industry. As an association that sets best practices for the derivatives market, ISDA members welcome the practice of including derivatives into the definition, as derivatives can play a crucial role in sustainable finance. They can enable more capital to be channeled towards sustainable investments; help market participants hedge risk related to environmental, social and governance (ESG) factors; facilitate transparency, price discovery and market efficiency; and contribute to long-term sustainable investments.</p> <p>Question 4:</p> <p>ISDA members fully support the proposed best practices on disclosure of how transition risks and opportunities are factored in. ISDA members believe that users value forward-looking metrics and strategic considerations on rated companies’ transition towards a sustainable business above backward-looking information. Users would also benefit from increased transparency on whether the data is backward looking or forward looking. ISDA generally advocates for enhanced transparency in methodologies, which can enable users to make more informed decisions on capital allocation. ISDA members agree that providers should disclose the measurement objectives of the ESG rating or data product because users need and value the clarity and transparency on what ESG ratings are measuring – whether</p>
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	<p>it is ESG risk exposure, governance practices, level of disclosure, physical or transition risks, etc. The proposed disclosure measures would also help market participants to develop a clear view of the company’s business, material sustainability impacts, and transition or adaptation plans. We welcome the enhanced CoC to improve sustainability disclosures, which should improve the availability and quality of ESG data. This should in turn enhance the reliability of ESG ratings.</p> <p>Question 5: ISDA members agreed that the timeliness, accuracy, and reliability of ESG ratings is essential for a fair and effective market, especially when ratings are employed to help meeting regulatory requirements or for the provision of loans - and thus have an impact on the cost for companies to raise capital. In addition to timeliness, the frequency of updates is a highly important factor. Some other suggestions:</p> <ul style="list-style-type: none"> - Users would value a more granular categorisation of companies into different sectors. Ratings often cluster companies into broad sectors without providing granular analysis. The incorrect sector classification affects the comparison between companies because the material factors used to assess the rating may be different depending on the sectors. - The ESG rating providers should provide a rating report explaining the final score or aggregated score provides invaluable contextual information for users to understand the purpose of each rating and identify the most relevant information and the most appropriate use for each rating. - Treatment of controversies and how they affect the final rating is usually not transparent enough. ISDA members strongly consider that the collection and assessment of ESG controversies should be considered by MAS. Controversy reports and alerts are typically produced by ESG data and ratings providers for two purposes i) as a standalone controversy report or alert which may be used by investors as an additional screening mechanism, or by proxy advisors when producing recommendation reports; and ii) as a data point considered part of an ESG rating or scoring process. To restore trust and promote confidence in the ESG rating and data space, both purposes should fall within the Code. - We refer to Annex 1 PREAMBLE, “market participants who use the ESG ratings and/or ESG data products are encouraged to engage providers who adopt the Code”. Our members agree that products users be encouraged to engage Providers who adopt the CoC, but also have the flexibility to engage Providers who do not adopt the CoC to ensure adequate choice and allow for market innovation - We would suggest that ‘relevant personnel’ are ‘professional, competent, suitably qualified and persons of integrity’ - We recommend providing clearer distinctions in defining how its Principles apply to ESG rating providers rather than data providers (or vice versa), as outlined in question 9. <p>Question 6:</p>
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	<p>In light of further developments in the regulatory framework including bringing ESG rating providers into the CMS licensing regime under the SFA, a phased approach which starts with a “Comply or Explain” basis is appropriate. However, in the case where an entity is using a third party Provider which sufficiently explains why it isn’t compliant with the CoC, we suggest the entity should not be expected to mandatorily explain why the third party Provider has been used and/or why it does not comply with the CoC.</p> <p>Question 7: ISDA members have reservations about whether the provision of a standalone Checklist would effectively ease the identification of compliant providers. For example, if a provider were to give “No” responses to certain questions in the proposed Checklist in Annex 2, but not all, would the MAS consider the provider “compliant” with the CoC? Given that Providers are encouraged but not required to publish the Checklist on their websites, we would suggest that the MAS consider maintaining a publicly available database of “compliant” Providers for ease of reference of market participants.</p> <p>Question 8: ISDA agrees with MAS’ proposal for third party assurance or audit to be adopted on a voluntary basis. We believe that requiring mandatory auditing would be premature at this stage as entities will need time to familiarise and adopt the CoC. In the context of Sustainability-Linked Derivatives (SLDs), having an independent third party minimizes the risk of moral hazard and the potential for conflicts of interest to arise given the economic consequences of meeting or failing to meet sustainability KPIs. It may also minimize potential disputes. The involvement of a third party will be intrinsic where the KPI is linked to a counterparty’s general ESG rating. This is because the counterparty will be deemed to have met the KPI if it is granted a specific rating by the ESG rating agency. In other cases, the third party will need to be specifically chosen and appointed by the counterparties. This third party may be (without limitation) an auditor, environmental consultant or expert in the particular subject matter of the KPI.</p> <p>Question 9: ISDA members consider that the CoC could be clearer in defining how its Principles apply to ratings product providers rather than data product providers (or vice versa). For example, it may be useful to include a table indicating where a Principle applies to a ratings product provider but not a data product provider, or if a Principle applies differently to the two types of product providers, flagging the key differences.</p> <p>Question 10: We are supportive of the proposal to bring ESG rating providers, particularly those which are based in Singapore, under the CMS licensing regime under the SFA when a regulatory framework is developed. This should ensure accountability, quality and credibility of ESG ratings provided by licensed providers.</p> <p>Question 11: MAS should consider the introduction of substituted compliance/equivalence provisions based on third country providers complying with the IOSCO recommendations. This is important to minimise duplication and potential</p>
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	<p>conflicting requirements. However, based on ISDA members' experience of such provisions in other legislative regimes, we would recommend that any assessment of substituted compliance or equivalence should be based on representations from the third country provider regarding their compliance with the IOSCO recommendations rather than being based on an assessment carried out by their home state supervisory / regulatory competent authority (as these activities may not be regulated in their home state) or on an assessment by MAS of alignment with IOSCO recommendations (either at the level of the relevant overseas regime or at the level of the relevant provider).</p> <p>Question 12: ISDA agrees with MAS's comments that the regulatory landscape is still evolving and that it will be necessary to monitor global regulatory developments and coordination before conducting a more detailed public consultation. After discussion, ISDA members have reached a consensus that at least 12~18 months of monitoring period, with a preference for the longer end, should be provided before consulting on a more formalized regulatory regime for ESG rating providers. This would also allow MAS to have a sufficient timeframe to see an update of the voluntary Code by the industry.</p> <p>Other Comments: ESG ratings and data products perform an increasingly important role in capital markets and sustainable finance. We support the use of the IOSCO recommendations to ensure the code is internationally interoperable, noting that the UK, the EU, Japan, Hong Kong, and India have since developed (or are developing) Codes of Conduct and/or regulation of ESG Data and Ratings providers based on IOSCO's policy recommendations. We encourage the Singaporean authorities and the industry to continue to coordinate with their international counterparts to avoid a fragmented approach. This is particularly important given the global nature of the market for ESG ratings and data products.</p> <p>ISDA supports the introduction of the CoC. Such a Code will act as an interim solution ahead of the implementation of a regulatory regime in Singapore (as referenced in the Consultation Paper). ESG ratings and data have a critical role in the allocation of capital and provide financial market participants with benchmarks to enable investment decisions, particularly given the rise in interest regarding sustainability matters. It is therefore important for these assessments to be produced to a high level of quality and integrity.</p> <p>The relevance of ESG ratings and data providers in financial markets has increased significantly over the last few years and this is expected to continue. The increase in focus on ESG factors amongst investors, the increase in commitments by issuers and the increase in the application of ESG regulatory and disclosure requirements all drive the importance of ESG ratings in Singaporean financial markets. ESG ratings and data are therefore very relevant to the Singaporean financial market and market participants. This is because they provide a means of assessing investments from a perspective which presents both risk management and upside opportunities. ESG ratings and data are increasingly being used to structure ESG financial services and products. ISDA members rely on ESG ratings and data for the construction of indices and derivatives in structured products. They can also be used to determine pay-outs of ESG-linked derivatives.</p>
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		<p>Whilst the market for ESG linked derivatives can be characterised as nascent at this stage, we expect further growth in this segment of the market, with ESG ratings as ‘inputs’ becoming more important over time. Derivatives enable more capital to be channelled towards sustainable investments; help market participants hedge risk related to environmental, social and governance (ESG) factors; facilitate transparency, price discovery and market efficiency; and contribute to long-term sustainable investments.</p> <p>Having an independent third party minimizes the risk of moral hazard and the potential for conflicts of interest to arise given the economic consequences of meeting or failing to meet sustainability Key Performance Indicators (KPIs). It may also minimize potential disputes. The involvement of a third party will be intrinsic where the KPI is linked to a counterparty’s general ESG rating. This is because the counterparty will be deemed to have met the KPI if it is granted a specific rating by the ESG rating provider. In other cases, the third party will need to be specifically chosen and appointed by the counterparties. This third party may be (without limitation) an auditor, environmental consultant or expert in the particular subject matter of the KPI. It is therefore important that the market has confidence in the quality and reliability of ESG ratings and data products and that there is appropriate transparency, comparability and reliability of ESG ratings and data. Investors that use an ESG rating and data product as an input for capital allocation should have reliable and transparent information about the basis for that rating. A lack of transparency and reliability could harm investor protection and an orderly functioning of the market. By way of example, ESG ratings of voluntary carbon credits would certainly benefit from greater transparency over methodologies and improvement of governance in the context of strengthening the integrity of the voluntary carbon market.</p> <p>In particular, ISDA members have the following concerns with regard to the ESG rating and data products that they currently use, and where this CoC could bring positive impacts:</p> <ul style="list-style-type: none"> - A need for greater transparency of methodologies: this is critical to enable users to understand what ESG ratings are measuring. This should cover not just the high-level methodology but the detailed assessments that have taken place against each score, including the rationale. - As identified in the IOSCO Report, there is significant variation in ESG ratings due to different weightings of different ESG factors, leading to a low correlation of ESG scores from different providers for the same company. While there may be valid reasons for different ratings due to differences in focus, methodology and sources of data, there should be transparency of rating purpose and meaning (i.e. is the rating measuring impact, risk or opportunities), methodologies, and data sources to facilitate comparability of ratings. Our members generally observe a lack of alignment of definitions and approaches. This variability, combined with a lack of clarity on the methodologies used, makes ratings difficult to compare. - A lack of coverage of ESG ratings and data products, as well as the need to ensure that providers have sufficient resources and analysts have sufficient expertise: In some cases, a perceived lack of resources has led to use of over-simplified tools with
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		<p>little human analysis which is likely to be particularly necessary for complex industries. Resourcing should also be commensurate with the number of companies rated. ESG rating providers should ensure that the quality of the information provided to the market and investors is not compromised by the number of companies rated and by increasing number of requests coming from their clients and rated corporates. Transparency over sources of data should enable users to assess the degree of analysis in the rating.</p> <ul style="list-style-type: none"> - Issues with some ESG rating and data providers’ governance, for example that companies may not be aware that they are rated by certain ESG rating providers while others are not updated when there are changes to their rating, can lead to asymmetry of information and inaccuracies in reporting. The escalation process to report inaccuracies with unsolicited ESG ratings can be slow and time-consuming for rated corporates, and in some cases may imply obtaining a solicited (feepaying) ESG rating, which means that reports that are be available to investors might not be corrected or updated for some time. - While the CoC should be mindful of enhancing the transparency of methodologies, as well as the sources of data used (e.g. data collection and management and client-agency interactions), it should not stifle the innovation of methodologies used by rating providers nor should regulation intervene in methodology design. - The CoC should be based on the overarching principle of transparency to allow for multiple operating models and methodological approaches to co-exist. - As identified in the IOSCO Report, there could be a risk of conflicts of interests arising which need to be appropriately addressed. For example, some issuers with unsolicited ratings face having to pay for a solicited rating if they wish to update or correct an unsolicited rating. We also support the introduction of measures to help ensure that relevant staff refrain from any securities or derivatives trading presenting inherent conflicts of interest with the ESG ratings and data products.
11	Investment Management Association of Singapore (“IMAS”)	<p>Question 1: Our members are largely in agreement with the definitions but would like to comment and seek clarifications on the issues depicted below.</p> <p>Our members would like to make the following clarifications:</p> <ul style="list-style-type: none"> - “ESG rating” means “a product that provides an opinion regarding any one or more ESG profile....”. Please clarify the definition of “product” and the proposed scope of coverage of a “product”. For example, where a research report only aggregates and presents comparison of a particular investment strategy to third party ratings e.g. MSCI ESG ratings, would that constitute a product? - The currently drafted definition of “ESG rating” could capture a very wide range of items, including metrics that are derived from ESG ratings (e.g. proprietary derived ratings or scores). Will these metrics be considered as an ESG Rating or “ESG data product”? - “ESG data product” refers to collection and/or aggregation of raw data - what would the definition of raw data be in this instance? For example, would “raw data”



		<p>only be limited to source information of a rating target or also include aggregation of third-party ratings e.g. MSCI ESG ratings?</p> <ul style="list-style-type: none"> - A financial institution may label or market an investment product as ESG investment product according to established product due diligence process which may involve analysis or consideration of ESG rating. Would it constitute a ESG data product? - One of our members largely agrees with the definitions, especially with the exclusion of raw data or aggregated raw data which does not entail added estimation, calculations, or analysis as an ESG data product. - One member is of the view that ESG data produced for internal use or intra-group use should be excluded (in line with the scope for Japan and UK Industry Code of Conduct for ESG Rating and Data Product Providers) as such use cases are for internal investment research purposes and not for commercial use. - One member thinks that any regulatory intervention should focus on ESG ratings provided by data providers and made available for sale to third parties. The framework should not seek to capture ESG assessments by asset managers or asset owners that are providing an overlay on ratings by third-party providers. Asset managers and asset owners may produce their own ratings or scores for their internal investment process based on third-party ratings. If these own ratings are a core part of the investment process, transparency will need to be provided on their importance in pre-contractual disclosures under the relevant sectoral legislation and SFDR. - In respect of a FI's or investment manager's proprietary ESG rating/scoring that is used solely for internal consumption/sharing within the FI's group of affiliated companies (i.e. not for external circulation), one of our members would like to urge MAS to consider excluding such proprietary ESG rating/scoring used solely for internal consumption from the scope of the proposed Code. <p>On the topic of transparency:</p> <ul style="list-style-type: none"> - One of our members would like to highlight that any framework to regulate ESG ratings and data providers should focus on measures that are actually capable of enhancing transparency and quality for users of these services, with quality being comprised of comparability, accuracy and a clear separation of views from the raw underlying data – as also per the transparency requirement. Scope therefore should only be to such information that is presented to external parties (users thereof) for the purpose of providing ESG data and/or ESG ratings. - Another member also commented that ESG Rating and Data Product Providers should be transparent about where raw data is purely aggregated in a formulaic manner and where there may be involvement of expert opinion, listing the following reasons: <ul style="list-style-type: none"> o Where the latter is involved, ESG Data Providers should be encouraged to disclose the expertise and composition of such expert panels, specific to common exclusions used in capital market ESG indices (see point below). This is in line with Principle 2 – ESG Rating and Data Product provider should adopt and implement procedures to ensure that its decisions are
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		<p>independent. The member proposed adding “procedures including appropriate disclosures” to this principle.</p> <ul style="list-style-type: none"> ○ ESG Rating and Data Product Providers’ aggregated raw data (or a variety of raw data into an intermediate outcome) are commonly used to determine ESG exclusions. Negative screening is the most pervasive, and hence capital-impactful, manner of ESG application in the market. Hence, transparency over how issuers are grouped is critical. Hence, common ESG exclusions used within ESG indices should be in scope of this document’s governance. Example of common ESG data used for exclusions relate to determination of exposure, or threshold-based revenue exclusions on Fossil fuel, Tobacco, Controversial Weapons and compliance with taxonomies and principles such as UNGC or the EU Green taxonomy. <p>- Another member also commented that they support transparency in ESG ratings, to the extent needed for market participants to understand the basis for such rating.</p> <p>Question 2: Our members are supportive of MAS’ suggestion to include external reviews such as SPOs in scope, because SPOs are particularly important for the issuance of green / sustainability-linked bonds. However, they opined that the SPOs should not be scoped in as ESG data products, as long as they do not entail estimations, calculations or analysis to raw data and should be reviewed under ESG services instead as advised. One of our members also commented that the line between both could be blurring, as entities providing SPO could also engage in rating to value add. Should the entity that provides SPO also perform a form of rating (e.g. different level of ‘green-ness’ of a green bond), this part of the business may fall under the definition of an ESG data product as it requires an analysis on data gathered. The SPO business, while it can be classified as Other ESG services, could work similar to an audit opinion and could have a separate set of CoC applied as well.</p> <p>Question 3: Our members largely agree with the proposed definitions.</p> <p>One of our members commented that though it makes sense, there is a need to make sure providers such as Bloomberg who provide ESG related data as an ancillary service under a general (not specifically ESG) subscription are also included. Our members would also like to make the following clarifications:</p> <ul style="list-style-type: none"> - Would this mean that the CoC has extraterritorial effect vis-à-vis for example an ESG Rating Provider or ESG Data Product Provider that is located out of Singapore? - Are there any regulatory obligations on financial institutions licensed in Singapore, for example, when they use such 3rd party ESG Rating Providers or ESG Data Product Providers that are located out of Singapore to ensure that these 3rd parties comply with the CoC? Will financial institutions, for example, be required to explain why 3rd party ESG Rating Providers or ESG Data Product Providers they use do not comply with the CoC? - For academic institutions, would they fall under the definition of ESG data product provider if they came up with an ESG rating system that can be accessed with e.g.
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		<p>donations or subscription used for funding the institution or research needs? Our member would also like MAS to consider if this is a fixed requirement or voluntary?</p> <p>Question 4: Our members have the following comments and suggestions:</p> <ul style="list-style-type: none"> - There are a lot of proxies eg for carbon emissions when there is no information and assumptions that go into forward looking models eg temperature alignment that are not entirely transparent. It is important for the intermediate steps done in the methodologies to also be shown so as to verify the information. - With regards to the measurement objectives of the ESG rating or data product, such measurements could be challenging to data providers given the lack of consistency in metrics used, and the lack of taxonomic consistency across various regions in Asia. Without unified measurement metrics, measurement objectives will likely vary widely across ESG ratings/data providers and the entities that are covered, limiting the utility of this measurement in helping users understand the ESG ratings/products across entities. - Though in support of MAS' proposal to require product providers to adequately disclose how forward-looking elements (e.g. transition risks) are factored into ESG ratings and data products, particularly what data and assumptions are used to project a company's forward-looking strategic plans, any views and other subjective elements (under whatever name, including forward looking data and projections) should be clearly indicated what they are and as such separated from measured, uninterpreted data. Ideally any measures should be in step with and be able to feature in the broader, international / global ecosystem of ESG rules and data that needs to be created in order to fulfil (global) ESG and related regulatory requirements. - Agree that transition risks and opportunities may not apply in all situations but perhaps the methodology could apply sufficient flexibility to certain industries where it is essential and material e.g. Auto, Utilities, Airlines etc. - Can the disclosure also include the weights of each key performance indicator being used? <p>One of our members would like to clarify the following:</p> <ul style="list-style-type: none"> - Does this mean that disclosure of transition risks and opportunities in any product methodology is only required if the product integrates such elements? For example, if the product does not include any elements of transition risks and opportunities in the methodology, does that mean there are no regulatory expectation of such inclusion and correspondingly no regulatory expectation of disclosure. <p>Question 5: Our members generally felt that the principles and best practices are valid and agree with them. However, they would like to provide the comments below.</p> <p>General Comments: An additional best practice of requiring ESG ratings/data product providers to provide a link to the information source (e.g. AR/SR/webpage) would be helpful for users to obtain more context and information regarding disclosures.</p>
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		<p>Referring to Annex 1 “PREAMBLE” setting out that “In addition, market participants who use the ESG ratings and/or ESG data products are encouraged to engage providers who adopt the Code”, one of our members would like to seek MAS’ clarification if there is any implication on market participants, including FMCs, if they were to engage providers who do not adopt the Code?</p> <p>Comments on Principle 1:</p> <ul style="list-style-type: none"> - On Principle 1 “The ESG Rating and Data Product Provider should” – It should be the responsibility of the ESG Rating and Data Product Providers to alert users each time there are methodology changes and past data is changed; and in this alert identify what has changed and why. This is particularly important if data has been changed retrospectively. - On Best Practice 1(d) – what constitutes “sufficiently communicate” is subjective. The current practice observed for some providers in the market today would be an invite to a consultation webinar to discuss and receive inputs where the rating provider would publish the final changes on their website. I think more could be done to bring clients to attention for such changes including email notifying of the final changes as clients may not regularly check the ESG platform for announcements. The publication could also include the rationale behind those methodology changes. - On Best Practice 1(e) – perhaps to also provide transparency around whether the ratings were solicited? - On Best Practice 1(f) – what is the frequency of monitoring, reviewing, and updating that is required or will this be left to the discretion of the ESG Rating and Data Product Provider depending on the availability of data for example? E.g. quarterly, biannually, annually? - On Best Practice 1(h) – does MAS have any competency requirements in mind e.g. specific ESG qualifications or is to be determined in the reasonable discretion of the ESG Rating and Data Product Provider? <p>Comments on Principle 2:</p> <ul style="list-style-type: none"> - On political or economic interference – today it is hard to tell between what constitutes an independent news report, which an ESG rating provider could rely on and influence its rating. There have been observations where some ESG rating provider would incorporate such news reports without first verifying its authenticity, perhaps for fear of missing out and accused by clients of not being proactive enough. Our member feels that there is room for creating a separate holding list to notify clients while making active efforts to verify the authenticity of such reports (e.g. by reaching out to the company and stakeholders for evidences) and have provided feedback to the provider as such. <p>Comments on Principle 4:</p> <ul style="list-style-type: none"> - On Best Practice 4(b) “The ESG Rating and Data Product Provider should clearly label its ESG rating and data products to enable the user to understand the ESG rating’s or ESG data product’s intended purpose including its measurement objective” – There should be consideration given to the transparency of sub-scores
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	<p>which comprise a rating, or on its own, especially where these sub-scores are used in a manner that impacts capital allocation on ESG grounds.</p> <ul style="list-style-type: none">- On Best Practice 4(e) – to clarify, this means that there needs to be “adequate levels of public disclosure” where any one or more methodologies are used, but not that ESG Rating and Data Product Providers must use the stated methodologies? E.g. it is not required that ESG Rating and Data Product Providers must use forward looking strategic plans and targets of the covered entity in an assessment. <p>Question 6: A few of our members largely agree for the CoC to be adhered to on a “Comply or Explain” basis.</p> <p>Question 7: Our members have the following comments:</p> <ul style="list-style-type: none">- It is important to also ensure that whenever there are changes to rating methodologies, they are thoroughly vetted / sense checked /audited.- One of our members agree that it would help users easily identify compliant providers, however, they believe that where ESG rating/data product providers check “YES”, the links to the associated disclosures and source materials (e.g. AR/SR/webpage) should be included. <p>Our members would like the following clarifications:</p> <ul style="list-style-type: none">- Are there any regulatory obligations on financial institutions licensed in Singapore, for example, when they use such 3rd party ESG Rating Providers or ESG Data Product Providers that are located out of Singapore to ensure that these 3rd parties comply with the CoC/complete the checklist?- If a provider were to give “No” responses to some (not all) questions in the proposed checklist (in Annex 2), we seek MAS’ clarification if such provider will be considered to be “compliant” with the Code?- Noting that “Providers are encouraged to publish the Checklist on their websites for their self-attestation” and that providers may or may not publish their self-attestation on their websites, would MAS consider having a database of a list of “compliant providers” for access by market participants to identify providers who comply with the Code? This also helps to ensure that the same list of “compliant providers” are being used. <p>Question 8: A few of our members commented that they largely agree with this approach.</p> <p>Question 9: Our members would like to provide the following suggestions:</p> <ul style="list-style-type: none">- There can potentially be a stamp or label that MAS give so that there is a ‘disclosure quality assurance’.- To further encourage ESG rating and data product providers’ adoption of the CoC, MAS could consider publishing the list of providers that are aligned with the CoC to recognise these efforts and to spur industry adoption of the CoC.
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		<p>- MAS could include a publicly available registry of ESG data or product providers' who have complied fully, partially, or not at all, and whether independent verification has been sought to provide more transparency to other stakeholders in the financial markets.</p> <p>Our members also commented that:</p> <ul style="list-style-type: none"> - It is a significant concern that more regulation in this area is going to result in increased compliance costs for service providers, and hence used as a motivation by ESG Rating and Data Product Providers to increase costs to users. This is far from ideal given the rapid changes in ESG regulatory landscape over a short span of the past few years has already increased expenditure in the acquisition of ESG data. Therefore, there should be a balance in terms of regulatory requirements over ESG Rating and Data Product Providers and for the benefit of the users of ESG data. - There has been feedback on ESG providers that provide a larger coverage that they are charging higher fees and smaller asset managers could be disadvantaged if such a subscription significantly affects the economic viability or the ability to attract talent for such asset managers. It is crucial to have some form of transparency on cost at least to the regulator because climate considerations and information is becoming an essential part of the industry. <p>Question 10: One of our members commented that the current landscape for ESG rating and data providers is still nascent (disclosures are still lacking and industry norms has not yet been set), making it unfeasible for ESG rating providers to be brought into the CMS licensing regime. However in the longer term, if this CoC becomes an industry norm for ESG rating providers, then bringing ESG rating providers into the CMS licensing regime would become more feasible. Another member commented that they are supportive of MAS' proposal to bring ESG rating providers, particularly those who are based in Singapore, under the CMS licensing regime under the SFA when a regulatory framework is developed. This should ensure accountability, quality, and credibility of ESG ratings provided by licensed providers.</p> <p>Question 11: Most of our members' opinions are in support for overseas ESG rating providers who offer ESG ratings to users in Singapore to be subject to the proposed regulatory regime for ESG rating providers.</p> <p>Our members have the following comments:</p> <ul style="list-style-type: none"> - In fact, overseas based ESG rating providers are the majority of most asset managers' usage and should definitely be in scope. - Given that most of the industry leaders and pioneers in the field of ESG ratings are based overseas, and that the vast majority of ESG ratings currently stem from these providers, these overseas based providers who offer ESG ratings to users in Singapore should be subject to the proposed regulatory regime. Otherwise, the proposed regulatory regime would only cover a small proportion of ESG ratings, and would be limited in scope and effectiveness. <p>Our members also added the following comments:</p>
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		<p>- Further considerations would need to be taken into account in respect of ESG rating providers who are based outside Singapore. One of our members would like to suggest that MAS may consider a “lite” licensing passporting regime be adopted for overseas-based ESG rating providers who are subject to similar licensing regime/standards back in their home jurisdictions.</p> <p>- Also, given the global nature of the market for ESG ratings, any proposed regulations on ESG rating providers may have global implications. Our member would like to urge MAS to consider using the IOSCO recommendations as a framework (in particular to ensure consistency with other regions/jurisdictions) and that any proposed regulations should be targeted to cover only third-party ESG ratings, not ESG data/services more broadly.</p> <p>Question 12: One of our members suggested having market milestones that can be considered with the inclusion of the industry adoption of this CoC as a gauge of how ready the industry is for a formal regulatory regime.</p> <p>Other Comments: One of our members commented that they are generally in favour of MAS’ efforts to establish a voluntary (“comply or explain”) Code of Conduct for ESG ratings and data providers, in alignment to IOSCO’s recommendations published in November 2021.</p>
12	Mizuho Bank, Ltd. Singapore Branch	<p>Question 1: The Bank agrees with MAS proposed definitions of “ESG rating” and “ESG data product”, as well as the list of excluded products.</p> <p>We elaborate as follows:</p> <p>1. Proposed definitions of ESG rating and ESG data product</p> <p>(a) The Bank notes that the definitions of ESG ratings and data products have been defined broadly, similar to the IOSCO Report and Japan’s CoC for ESG Evaluation and Data Products.</p> <p>(b) We are of the view that undertaking such a uniform approach to definitions across different jurisdictions is ideal as it can enhance clarity, consistency, and streamline processes (e.g. legal). It could also potentially make international collaboration easier and simplify cross-border transactions.</p> <p>2. List of excluded products</p> <p>(a) The Bank also notes MAS’ intention to exclude in the definition of “ESG data product”, specific types of products where best practices in the CoC do not generally apply or need not be applied. In particular, a credit rating that takes into account any ESG profile or characteristic of a rating target in the assessment of the credit worthiness of the rating target.</p> <p>(b) We are of the view that it is a positive decision. The inclusion of such a credit rating may cause confusion amongst the users. Having a clear separation of an ESG rating and a credit rating allows investors and stakeholders to assess a company’s financial stability and risk profile (credit rating) independently from its ESG performance.</p> <p>(c) The dual evaluation provides a more comprehensive view, preventing ESG factors from overshadowing financial considerations and vice versa.</p>

		<p>(d) Therefore, keeping these respective aspects separate and distinct may promote transparency and accountability in both financial and sustainability elements, fostering better decision-making for investors and promoting sustainable practices.</p> <p>Question 2: The Bank is of the view that external reviews (e.g. Second Party Opinions) should be scoped in as ESG data products under the CoC. We elaborate as follows:</p> <p>(a) Depending on the context of the engagement, a party can function as either an ESG data product provider (in respect of services such as ESG ratings and rankings, and reporting and disclosure) or a second party opinion provider. Therefore, the best practices on governance and COI management in the CoC is very much applicable to external reviews as well.</p> <p>(b) For instance, many major market players in addition to providing second party opinions are also typically in the business of providing ESG data products (including ESG ratings). According to a report published by KPMG in 2020, it was estimated that there are more than 150 major ESG data providers worldwide, and the estimate does not include or further break down the number of SPO providers in the world (which we understand is also a sizeable estimate). The large number of providers gives rise to many different standards and inconsistencies. Not including SPOs in scope may risk misalignment in regulatory expectations or potential conflicts of interests.</p> <p>(c) On the other hand, including SPOs in scope enhances credibility and consistency of ESG assessments. Being subscribers to such ESG product providers/ second party opinion providers ourselves, knowing that the SPOs are also subject to regulatory oversight provides the Bank with added assurance that the opinions are accurate, transparent and unbiased.</p> <p>Question 3: 1. Proposed definitions of ESG Rating Provider and ESG Data Product Provider</p> <ul style="list-style-type: none"> - The Bank notes that product providers who have a nexus to activities and institutions in the securities and derivatives industry in Singapore should adopt the CoC. - However, we are of the view that the definitions do not necessarily need to be limited only to the securities and derivatives industry. We elaborate as follows: <ul style="list-style-type: none"> (a) ESG ratings and assessments have broader implications beyond just financial instruments. Many industries and sectors are increasingly recognising the importance of ESG factors in assessing a company’s sustainability and transition strategy, ethical practices and long-term commercial and operational viability. (b) For example, ESG ratings can be relevant in industries (also under MAS’ regulatory oversight) such as banking and finance, insurance, Fintech and payment. These ratings help stakeholders, including investors and regulators, understand how well a company aligns with ESG considerations – and therefore may facilitate investment decisions and regulatory oversight and alignment of best practices across regulated markets. (c) While ESG ratings are particularly relevant in the context of investing and trading in the securities and derivatives industry, their impact extends to various sectors and industries. For example, in the context of banking and finance, a retail/ corporate customer may prefer to choose a banking institution with a higher ESG rating whose sustainability strategy resonates/ aligns with their personal beliefs/ corporate purpose. For MAS’
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		<p>consideration Based on the above factors, the Bank would like to propose that MAS consider extending the CoC to product providers who have a nexus to activities and organisations in industries in Singapore that are under the regulatory oversight of MAS.</p> <p>2. List of excluded products</p> <p>The Bank does not have any particular comments on the list of excluded products under the definitions of ESG rating provider and ESG data product provider.</p> <p>Question 4:</p> <p>The Bank generally agrees with MAS’ proposed enhancements to the IOSCO good practices on transparency, with the aim of helping users better understand the bases and objectives of ratings and thereby more effectively inform decision-making – for example, it would give stakeholders a means to calibrate ESG scores to their own requirements that are aligned to their own values or based on how important the environmental, social and governance dimensions are to them. We further elaborate as follows: At present, the more common issues faced by existing users include:</p> <ul style="list-style-type: none"> - Inadequate transparency: Providers may not fully disclose their assessment criteria, making it challenging for users to understand how the ratings are derived. - Lack of consistency: Different providers use different criteria and weightings for ESG factors, leading to inconsistency in ratings and rankings. Through adequate disclosures, providers will be motivated to ensure accuracy and consistency to maintain credibility. It may also prevent the manipulation of ratings through greenwashing. Additionally, it could be easier for the Bank to make sense of the ESG ratings and make comparisons, which would in turn enable us to provide a more consistent messaging to our customers. - Cherry-picking a particular provider: Companies may prefer to go with a provider who is able to create/ present a more favourable ESG rating/ image. Transparent disclosure supports the integrity of the ESG market by reducing information asymmetry and promoting fair competition. The above are just some examples of how the overall ESG market can benefit from detailed disclosures in order to promote sustainability and responsible business practices. <p>Question 5:</p> <p>The Bank does not have any particular comments on the principles and best practices set out in the draft CoC.</p> <p>Question 6:</p> <p>The Bank is of the view that as a start, the CoC could be implemented on a “Comply or Explain” basis to allow product providers to enhance their practices and adapt to the new expectations before MAS implements a formal regulatory regime. We elaborate as follows: Under the “Comply or Explain” approach, the Bank acknowledges that the need to provide justifications in lieu of compliance with the best practices set out in the CoC, may conceptually serve to enhance transparency to industry players/users. Notwithstanding this, the Bank wishes to highlight for further consideration, a couple of potential issues with this approach:</p> <ol style="list-style-type: none"> 1. Lack of accountability: Product providers may use the “explain” option as a way to sidestep necessary changes or to maintain suboptimal practices.
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	<p>2. Whitewashing: Product providers may provide explanations that sound reasonable but do not accurately reflect their governance choices, potentially leading to whitewashing. For MAS’ consideration.</p> <p>The Bank would like to propose for MAS to consider making available supplementary standards/ guidelines (to be read with the CoC) to ensure that the “explain” option is only exercised in limited circumstances; and by implication, justified (and not abused).</p> <p>Question 7: The Bank does not have any particular comments on the proposed Checklist.</p> <p>Question 8: The Bank would like to suggest for MAS to consider such ESG rating and data product providers to undergo mandatory third-party assurance or audit on their self-attestations. We elaborate as follows: In the context of the “explain” option where we had earlier (in our response to Question 6) proposed for MAS to make available a supplementary standards/guidelines where the “explain” option might be acceptable, auditing the providers’ self-attestations against these standards may deter providers from providing false or exaggerated self-attestations. Audit findings may also highlight area for improvement, prompting the providers to enhance their processes and practices to align better with stated standards.</p> <p>Question 9: To encourage the providers to adopt the CoC, the Bank would like to suggest for MAS to consider conducting workshops, webinars and conferences to educate product providers about the benefits of adopting the CoC and the positive impact it can have on market credibility. In particular, reiterate that the CoC aligns with potential future regulatory requirements and could prepare the providers for potential future mandates (e.g. a regulatory regime for ESG rating providers).</p> <p>Question 10: The Bank agrees that ESG rating providers should be brought into MAS’ regulatory remit in due course for gatekeeping purposes and for supervisory requirements to be made enforceable. For MAS’ consideration When developing a regulatory framework, MAS could consider a collaborative approach with regulators from other foreign jurisdictions to undertake a unified position, including the timing of the introduction of a regulatory regime. From a business development perspective, this would minimise regulatory arbitrage. For example, supposing Singapore has a stricter regime than other jurisdictions (e.g. Hong Kong), ESG rating providers may prefer to operate in a jurisdiction with less stringent requirements. That said, we do not have any particular comments on whether it should be regulated under the CMS licensing regime under the SFA or under a separate regulatory regime.</p> <p>Question 11: The Bank is of the view that the scope should minimally capture provision of ratings to users based in Singapore, by both Singapore-based firms and overseas firms. The Bank elaborates as follows: 1. This is in line with the UK HM Treasury’s proposal in their consultation paper (paragraph 4.1 of page 21) in the context of the UK.</p>
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13	Moody’s Corporation	<p>Question 1: The market for ESG ratings and data products is nascent and diverse and continues to develop rapidly. It is hence difficult to fully define the market. We suggest that any definitions should leave room for product providers to decide whether their products are intended as either “ESG ratings” or “ESG data products”, in line with the envisaged Code of Conduct and the IOSCO Report on ESG Ratings and Data Providers (FR09/21 of November 2021).</p> <p>“ESG data product” definition The definition of ESG data product as currently proposed is very broad as it works by exclusion: i.e., it is designed to capture all products that are not specifically excluded. In an effort to ensure international harmonisation of Codes of Conducts on ESG rating and data products as best as possible, we would suggest building on the IOSCO definition of ‘ESG data product’ outlined in its IOSCO Report on ESG</p>



	<p>Ratings and Data Providers (FR09/21 of November 2021). IOSCO’s definition of ‘ESG data product’ includes these three following categories ‘raw data’, ‘screening tools’ and ‘controversies alert’.</p> <p>List of excluded products We welcome the proposed exemption for credit ratings, which speak to creditworthiness rather than ESG characteristics and are separately regulated under MAS’ Code of Conduct for Credit Rating Agencies.</p> <p>However we believe that this exemption would benefit from clarification in respect of assessments that provide greater clarity and transparency on the impact of ESG on credit ratings. Moody’s Investors Services (MIS), the credit rating agency segment of MCO, currently provides certain assessments that provide greater clarity and transparency on the impact of ESG on credit ratings. These assessments are not credit ratings themselves but are either inputs or outputs of the credit rating process, or Research Transparency Assessments designed to provide greater clarity about the credit implications associated with certain ESG considerations.</p> <p>We recommend a clarification to the exemption on the following lines: “ESG rating” means a product that provides an opinion regarding any one or more ESG profile or characteristic of a rating target, that is expressed using an established and defined ranking system of rating categories, but does not include:</p> <ul style="list-style-type: none"> (a) a credit rating that takes into account any ESG profile or characteristic of a rating target in the assessment of the credit worthiness of the rating target, and any ESG-related scores or factors that are produced as part of the public methodologies for credit ratings; or (b) research analyses or research reports concerning any investment product that is issued or promulgated by a licensed or exempt financial adviser under the Financial Advisers Act 2001. <p>Question 2: We suggest it would be preferable to exclude Second Party Opinions from the CoC, for two reasons:</p> <ul style="list-style-type: none"> (i) To align with IOSCO’s classification, and (ii) The product is well understood in the market and there are accepted standards for it (notably the principles of the International Capital Markets Association). <p>Question 3: No comments.</p> <p>Question 4: We agree with the principle of making adequate levels of public disclosure and transparency a priority, although we recommend that the MAS should look only to the IOSCO Good Sustainable Finance Practices for Financial Markets Voluntary Standard Setting Bodies and Industry Associations (November 2022) when developing these best practices. [Note: This IOSCO 2022 report will henceforth be referred to as “IOSCO Good Practices” throughout this document.]</p> <p>Question 5: Principle 1 Best Practice 1(f)</p>
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		<p>The requirements to review methodologies, publish performance statistics and to review ESG ratings at a particular interval is a requirement emanating from MAS Code of Conduct for Credit Rating Agencies which we do not think is necessary or applicable to the wider heterogeneous range of ESG ratings and ESG data products. We recommend that the MAS should look only to the IOSCO Good Practices when developing this Code of Conduct.</p> <p>Principle 1 Best Practice 1(g) This should only be a general obligation to retain relevant records. We do not believe that the CRA requirements have to be replicated. We recommend that the MAS should look only to the IOSCO Good Practices when developing this Code of Conduct, for reasons of international alignment and proportionality.</p> <p>Principle 4, in particular Best Practices 4(c), 4(d) and 4(e) We support the principle that ESG Rating and Data Product Providers should make adequate levels of public disclosure and transparency for its ESG rating and data products, including methodologies. At the same time, we believe that it would be detrimental for the market if providers were inhibited or disincentivized from evolving their methodologies as needed and to protect their intellectual property. To cater for this need for flexibility, we would suggest to make the list referenced in sub-point (e.) illustrative rather than obligatory.</p> <p>Question 6: We agree with this as a matter of principle. As much as possible, we would prefer a single self-attestation that refers to the IOSCO Good Practices, rather than an approach that requires a different “comply or explain” procedure for each jurisdiction.</p> <p>Question 7: We appreciate that regular self-attestation of adherence to the Code of Conduct could be helpful for the MAS and the general public to better identify compliant providers and facilitate interoperability for providers’ global operations. However we think that the proposed Checklist could perhaps better serve as an internal guide for firms to take reference from in their own efforts to voluntarily adhere to the Code of Conduct, instead of as a published guide for product users. Instead of a Checklist, we would recommend that firms be given the option to self-attest their adherence to the Code through endorsement statements explaining their approach on their websites, and that these statements be reviewed at least annually and updated where appropriate.</p> <p>Question 8: We appreciate that regular self-attestation of adherence to the Code of Conduct could be helpful for the MAS and the general public to better understand how to use ESG ratings and data products for investing and capital allocation. However we do not think there needs to be an option for third-party assurance or audit because any such requirement would bring about a disproportionate burden and expense for this nascent market.</p> <p>Question 9:</p>
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		<p>We believe that an approach that is aligned with the IOSCO Good Practices, as far as possible, and leaves sufficient flexibility would be most appealing to product providers.</p> <p>Question 10: We support MAS’ development of this voluntary code of conduct for ESG rating providers, but think it could be premature to introduce binding legislation anytime soon. At this stage, we do not have views on the possible form of such a regime.</p> <p>Question 11: For the purpose of a voluntary Code of Conduct, we agree with the intended scope. There is however a risk that ESG rating and data providers would be caught within multiple Codes of Conduct or regulatory regimes, and we would reiterate our call for alignment with the IOSCO Good Practices, as much as possible.</p> <p>Question 12: We support this voluntary code of conduct for ESG rating providers and highly recommend that any regulation for this industry be held at bay until the market evolves and develops further.</p> <p>Other Comments: We thank the MAS for its careful consideration of the context and international development. In particular, we agree with MAS’ consideration around the nascent nature of this market, which calls for a proportionate and flexible regulatory approach. A voluntary Code of Conduct is a good way to approach this. We welcome MAS’ intention to build on the IOSCO Good Practices for this purpose and would encourage MAS to further align with them, in particular in respect of the definitions. We would also ask MAS to refrain from gold-plating the IOSCO Good Practices. Specifically, we do not see a case to introduce aspects of CRA Regulation into the Code of Conduct. The market for credit ratings is much more mature and should not serve as a blueprint for the regulatory treatment of ESG ratings and data. In addition, ESG rating and data providers would struggle to deliver comparable global analysis in an environment with a patchwork of rules in different jurisdictions. We hope that this consultation response is helpful to MAS and we stand ready to discuss our response at your convenience.</p>
14	MSCI ESG Research LLC	<p>Question 1: We are supportive of the approach proposed by MAS but would suggest an amendment to the definition of ESG rating to clarify that ratings categories for ESG ratings should be relative rankings. One of the key characteristics of an ESG rating that distinguishes it from an ESG data product, as well as from other metrics, is the application of an established and defined ranking system of rating categories that provide a relative measure of performance of a rating target. An “absolute measure”, however, can be applied to a wide spectrum of metrics that could be used to compare companies, including products that are otherwise captured by the proposed definition of “ESG data products”. We therefore suggest striking (ii) (b) within the definition of “rating category” so that the definition is narrowly drafted and to avoid inadvertently expanding the scope of “ESG ratings” to capture “ESG data products” and other metrics that could be used to compare one company to another. The proposed revised definition of “rating category” within the broader “ESG rating” definition is as follows – (ii) “rating category” means an ordinal rank or</p>



		<p>score used in an ESG rating (e.g. letters, numbers, words, or any other symbols), to provide a relative measure of performance of a rating target in any one or more ESG profile or characteristic, to that of other rating targets;</p> <p>Question 2: The definition of ESG data product proposed by MAS covers a broad spectrum of data products, that are marketed as providing either a specific Environmental or Social or Governance focus on an entity, real estate investment trust, a business trust or a capital markets product’s ESG profile or characteristics, but it does not include an opinion on alignment of an instrument with the industry standard or framework. Second Party Opinion (SPOs) are meant to inform investors whether the financing framework or transaction being assessed aligns with both industry standards (ICMA Green Bond Principles, ICMA Social Bond Principles, Sustainability Bond Guidelines, LMA Green Loan Principles or LMA Social Loan Principles, as needed) and the relevant methodology. They are not designed to verify or certify the use of proceeds for a specific transaction. To maintain consistency with IOSCO’s report, we do not favour including external reviews to be scoped in as an ESG data product under the Code of Conduct.</p> <p>Question 3: The definition of “ESG Data Product Provider” includes several exclusions based on the type of entity and the nature of its activities (e.g., an entity solely providing consulting services to companies on improvements from an ESG perspective). The Code should ensure that the activity of providing ESG ratings or providing ESG data product is covered in scope, irrespective of the type of entity or the purpose for which the service is used by the client. The Code should not exclude an entity providing consulting services to companies on improvements from an ESG perspective. For example, if a service provider, such as an audit firm is requested to provide a service to a client that includes the provision of ESG data as a product, this should be included in the scope of the Code because it should not matter what the purpose of the product or service is but rather the fact that it is being used as an ESG product/service. We suggest deleting part (b) of the definition. Part (d) of the definition excludes an entity “solely” providing data in respect of general surveys on ESG factors. Where an entity solely provides data as part of the general survey of ESG factors, it could be construed as part of its business that is repeatedly and continuously conducted as part of its own business operations. An entity providing data as part of general survey of ESG factors could be excluded, provided survey is done on an ad hoc basis and not solely as its own business operations. We therefore suggest the following modified part (d) of the definition –(d) an entity providing data in respect of general surveys on ESG factors that is otherwise not part of its regular business activities; The Code is intended to be principles-based which is appropriate given the evolving nature of the ESG rating and ESG data products. Given the evolving nature of the sector and the potential for unintentional conflicts with other initiatives, we also recommend eliminating references to specific jurisdictions and locations. We therefore suggest the following modified definition – “ESG Data Product Provider” means any entity providing an ESG data product, but does not include: (a) academic or research institutions solely providing specialised knowledge and data on ESG for academic purposes;(b) an entity solely providing information aggregation that compiles ESG data on a general website or subscription-based model; (c) an entity providing data in respect of general surveys on ESG factors that is otherwise not part of its regular business activities; (d) an entity solely providing</p>
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	<p>news reporting services. “ESG Rating Provider” means any entity offering an ESG rating;</p> <p>Question 4: We support disclosure of how transition risks and opportunities are factored into ESG ratings and data products, without interfering with the ESG Rating and Data Product Provider’s methodologies.</p> <p>Question 5: Principle 1 – The ESG Rating and Data Product Provider should adopt and implement written policies and procedures designed to ensure the issuance of high quality ESG rating and data products based on publicly disclosed data sources where possible, and other information sources where necessary, using transparent and defined methodologies.</p> <p>Extending the Draft Code to include “ESG data products” and “ESG Data Product Providers” presents a number of challenges:</p> <p>(i) The universe of what constitutes “ESG data” is broad and rapidly evolving. Cybersecurity, geopolitical risks, weather models and governance indicators are just a few examples of what could be captured as data used for ESG purposes. Defining boundaries and/or devising rules across so many different types of data sources is not feasible and will create an overly broad framework that is not appropriately tailored, stifles innovation and slows down the rapid evolution of solutions to assist the market in understanding and measuring ESG risk and opportunities.</p> <p>(ii) Not feasible to extend the scope of the framework to the entire supply chain of raw data. The Code demonstrates that a framework that seeks to capture “ESG data products” and/or “ESG Data Product Providers” is difficult to apply in practice. For example, publishing methodologies and procedures for the computation of data, which could extend to thousands of data points is not equivalent to the publication of a defined universe of methodologies. Publishing the underlying computations for ESG data is not feasible, undermines intellectual property and discourages service providers from creating solutions to address ESG risk.</p> <p>(iii) Principles of conduct that may be appropriate for ESG ratings present significant challenges if applied to “ESG data products”. The definition of “ESG data products” in the Code refers to a broad range of data that are marketed as providing either a specific environmental, social, or governance focus, or a holistic social and governance focus on an entity, a real estate investment trust, a business trust or capital markets products’ ESG profile or characteristics or exposure to ESG, climatic or environmental risks or impact on society and the environment, whether or not they are explicitly labelled as “ESG data product”. For example, this expansive definition would capture a company that publishes information on its own ESG profile, a government agency that tracks and publishes Greenhouse Gas Emissions, a journalist that publishes information on an ESG profile of a company or even a national weather service. ESG ratings and ESG data products cannot be equated with regard to transparency and definition of methodologies. Though ESG ratings can be driven by methodologies, ESG data products contains numerous data points and there is an array of data products that are offered to clients and requiring disclosure of the source of these datapoints, would not be practically feasible. For</p>
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		<p>instance, MSCI’s business involvement screening research and ESG controversies are among the ESG data products which use scores of data from publicly available sources. Applying these measures to ESG data and the underlying computations is disproportionately burdensome, undermines intellectual property and discourages service providers from creating solutions to address ESG risk. We therefore propose the following modified text – The ESG Rating Provider should adopt and implement written policies and procedures designed to ensure the issuance of high quality ESG rating based on publicly disclosed data sources where possible, and other information sources where necessary, using transparent and defined methodologies.</p> <p>Principle 1, Best Practice 1(e) – The ESG Rating and Data Product Provider should: provide transparency, where reasonably possible, around the sources of data used in determining its ESG rating and data products, including the use of any industry averages, estimations or other methodologies when actual data is not accessible to it. This may include transparency around the timeliness of data used, the time period of the data used, as well as whether the data is publicly sourced or proprietary in nature · including through approximations;</p> <p>While we support transparency, we would discourage specific disclosure requirements that are not consistent with a principles-based code or undermine subscription-based business models. Instead, we propose that the provision be amended to align with IOSCO’s recommendation that ESG rating providers disclose sufficient information about the rating process and rating methodologies, including information about data sources, so that users of ratings can understand how a rating was determined. Such a requirement shall be more aligned with a principles-based approach. We therefore propose the following modified text – provide transparency in relevant methodologies, where reasonably possible, around the sources of data used in determining its ESG rating. This may include transparency around whether the data is publicly sourced or proprietary in nature. The Principle requires transparency by ESG Rating and Data Product Provider with an explicit mention of “where reasonably possible”. We interpret this to mean disclosures to clients only, failing which it would not be aligned with the subscription-based model. A clarification in the final Code would assist in seamless adoption of the Code.</p> <p>Principle 1, Best Practice 1(f) – monitor on an ongoing basis, and regularly update the ESG rating and data products, except where specifically disclosed that the ESG rating is a point in time rating by • reviewing, on a regular basis, the ESG ratings of the rated entity; • initiating a review of the ESG ratings upon becoming aware of any public information that may reasonably be expected to result in a revision or termination of the ESG ratings · consistent with the rating methodology; and • updating on a timely basis the ESG ratings, as appropriate, based on the results of such review;</p> <p>The objective of the best practice 1 (f) seems to cover ESG ratings only and not to include ESG data products. Therefore, to maintain consistency in the language, we suggest striking out data products from the text of the provision. ESG ratings are driven by the ESG Ratings Methodology, and ESG ratings are monitored in accordance with the ESG Rating Process. These documents are publicly available. Therefore, we propose that rather than including these prescriptive requirements in the Code, encourage transparency of the processes and methodologies by making</p>
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	<p>it public. We suggest the following adjusted text which is aligned with the IOSCO’s recommendation – f. monitor on an ongoing basis, and regularly update the ESG rating, except where specifically disclosed that the ESG rating is a point in time rating.</p> <p>Principle 1, Best Practice 1(g) – maintain records to support every ESG rating and data products that it issues. Such records can be kept for at least 6 years from the issue date of the relevant ESG rating and data products;</p> <p>While we do not object to a recordkeeping requirement with respect to ESG ratings or ESG data (subject to our comments regarding Principle 1), requiring record keeping for a specific period of 6 years is inconsistent with a principles-based code and requiring maintenance of records for an ESG data product could be too granular and impossible to maintain. Therefore, we propose to delete the specific period of 6 years. We suggest the following adjusted text – g. maintain records to support the ESG ratings and data products that it issues.</p> <p>Principle 1, Best Practice 1(i) – ensure that it has adequate resources to produce high-quality ESG rating and data products of the covered entity, including sufficient personnel and technological capabilities, to seek out information it needs in order to make an assessment · analyse all information relevant to its decision-making processes, and provide quality assurance. For ESG rating, when deciding whether to rate or continue rating a rated entity, the ESG Rating Provider should assess whether it is able to devote sufficient personnel with the necessary skill sets to make a proper ESG rating assessment, and whether its personnel will likely have access to sufficient information needed in order to produce the ESG rating. It should adopt reasonable measures so that the information it uses in assigning an ESG rating is of sufficient quality to support a credible ESG rating. The ESG rating should also be based on publicly disclosed data sources, and other information sources where necessary, using transparent and defined methodologies If the ESG rating is based on limited data, it should make clear, in a prominent place, the limitations of the ESG rating;</p> <p>We broadly agree with the Best Practice, but the processes to be adopted are too granular and not aligned with a principles-based approach to the Code. We rather suggest aligning the text with the recommendation made by IOSCO –Ensure that it has adequate resources to produce high-quality ESG rating and data products of the covered entity, including sufficient personnel and technological capabilities, to seek out information it needs in order to make an assessment, analyse all information relevant to its decision-making processes, and provide quality assurance. The ESG rating should also be based on publicly disclosed data sources, and other information sources where necessary, using transparent and defined methodologies. If the ESG rating is based on limited data, it should make clear, in a prominent place, the limitations of the ESG rating;</p> <p>Principle 2 and Principle 3 We agree with the principles that call for potential conflicts of interest to be addressed, but we propose realigning the text of Principle 2 and Principle 3 for a clear interpretation of the text. We therefore suggest the following text –</p>
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	<p>Principle 2: The ESG Rating and Data Product Provider should adopt and implement written policies and procedures designed to ensure its decisions are independent, free from political or economic interference.</p> <p>Principle 3: The ESG Rating and Data Product Provider should adopt and implement written policies and procedures designed to identify, avoid or appropriately manage, mitigate and disclose potential conflicts of interest that may compromise the independence and objectivity of its operations, including those that may arise from, among other things, its organisational structure, business or financial activities, financial interests, and personnel.</p> <p>In the description to the principles, it is unclear what a “proper” separation means. Since the principles require addressing the potential conflict of interest, including more specific requirements is not aligned with the principles-based approach to the Code.</p> <p>Best Practice 2(g): This provision could be interpreted to require disclosure of specific compensation information and will lead to disclosure of business sensitive information. Though we support transparency of information to clients, we do not see the need to disclose business sensitive information to general public which is not aligned with a principles-based approach or a subscription-based model. Even under an issuer pays model, the best practice is not aligned with a principles-based approach and we therefore suggest an alternate text to encourage broader disclosures rather than specific ones.</p> <p>We propose the following text – where consistent with the business model, confidentiality, contractual and other business, legal and regulatory requirements, disclose the nature of relationships that exist with an entity for which it provides ESG rating and data products.</p> <p>Principle 4 – The ESG Rating and Data Product Provider should make adequate levels of public disclosure and transparency a priority for its ESG rating and data products, including their methodologies and processes to enable the users of the ESG rating and data products to understand what the product entails and how it is produced, while maintaining a balance with respect to proprietary or confidential information, data and methodologies.</p> <p>We support the underlying principles of disclosure and transparency, but the Code should more clearly account for different business models among ESG Rating Providers. As currently drafted, it requires public disclosures of ESG ratings which materially interfere with a subscription-based model. In a subscription-based model, ESG Ratings are disclosed to subscriber and not made available publicly. While the proposed provision notes “a balance with respect to proprietary and confidential information, data and methodologies”, it does not explicitly recognise that ESG Rating Providers may operate under different business models with corresponding types of disclosure. We strongly recommend that the provision be amended to clearly recognise and accommodate different business models of ESG Rating Providers.</p> <p>Therefore, to address these aspects, we propose the following amended text – The ESG Rating and Data Product Provider should make adequate levels of disclosure</p>
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		<p>and transparency a priority for its ESG rating and data products in accordance with its business model, including their methodologies and processes to enable the users of the ESG rating and data products to understand what the product entails and how it is produced, while maintaining a balance with respect to proprietary or confidential information, data and methodologies.</p> <p>Principle 4, Best Practice 4(c):</p> <p>1. The provision calls for potentially expansive and unmanageable disclosure of data and information sources used in connection with ESG ratings and data products. First, we reiterate our concern that the Code should reflect and accommodate different business models and the resulting different types of disclosure. Second, disclosing specific data and information sources for ESG ratings would not be practically feasible given the supply chain of raw data. It is unclear how this provision could be implemented, and it is also unclear how disclosure of the specific data would be useful to the users for ESG Ratings. To the extent this type of disclosure remains in scope for ESG ratings, we recommend it be amended to refer to “categories of data and information sources” as a more meaningful and feasible means of providing disclosure and transparency.</p> <p>2. As noted earlier in our comments on Principle 1, the Code should apply to ESG ratings and not ESG data products. ESG ratings and ESG data products cannot be equated. Though ESG ratings can be driven by methodologies, ESG data products contains numerous data points and there is an array of data products that are offered to clients. For instance, Applying these measures to ESG data and the underlying computations is disproportionately burdensome, undermines intellectual property and discourages service providers from creating solutions to address ESG risk. Public disclosure of all the sources of all information is extremely wide and not practically feasibly considering the value chain of data. We therefore propose to delete the reference of ESG data products from this best practice.</p> <p>3. The Principle requires transparency by ESG Rating and Data Product Provider “where reasonably possible”. We interpret this to mean disclosures to clients only, failing which it would not be aligned with the subscription-based model. While we support transparency to our clients, we would discourage specific disclosure requirements that are not consistent with a principles-based code.</p> <p>In light of the above, we propose the following text – c. make adequate levels of disclosures of categories of data and information sources it relies in offering ESG rating, where reasonably possible in accordance with its business model;</p> <p>Principle 4, Best Practice 4(e): While we do not object to the disclosure of information related to ESG rating methodologies, the proposed provision includes added detail related to specific aspects of the underlying methodological approach, for example measurement objective, KPIs, scope of business activities and group entities included in the assessment, meaning of each assessment category, etc. Each aspect may not apply to all ESG Rating Providers, and the level of detail about each aspect is not consistent with a principles-based code. The minimum set of disclosures prescribed under BP4e are key parameters that differentiates ESG data products amongst competitors in the financial ecosystem. Requiring detailed disclosures of these specific aspects of a data product would jeopardise intellectual property and would be detrimental to a healthy and competitive market.</p>
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		<p>Therefore, we suggest deleting the reference to ESG data product from the text and limit it to ESG ratings only. Therefore, we propose the following text – e. make adequate levels of public disclosure on ESG rating methodologies and the criteria used to assess the covered entity;</p> <p>Best Practice 7(a): While we support efforts to make the information gathering process transparent and efficient, these provisions are operational in nature and not consistent with a principle-based approach. Also, refer to our comment regarding Principle 7. We therefore suggest deleting this best practice.</p> <p>Best Practice 7b (i) and (ii):</p> <p>1. An ESG rating provider should not be required to inform the rated entity of the principal grounds on which a rating has been assigned to it, since under the subscription-based model the rating is assigned using data from publicly available sources. While it maybe good practice to provide the rated entity with this information, there is no separate terms of engagement entered into between the rated entity and the rating provider that requires it, nor should be required under a Code or regulatory framework for subscription-based ESG Rating providers. We support ongoing engagement with rated entities, including interaction with the rated entity wherein the rated entity highlights material new information or highlights factual inaccuracies, under a subscription-based model. However, the process should not allow for rated entities to attempt to negotiate or litigate the outcome of the rating decision or to challenge the methodology. Such an approach would lead to endless delays in the publication of rating information to the market and frustrate the utility of the rating for investors. By analogy, an investment bank does not preview its buy/hold/sell opinions with an issuer in advance of publishing the opinion. We also note that MSCI publishes material proposed changes to our methodology where investors and issuers are invited to comment on the proposed changes. In this way, we incorporate feedback from the broader market on the framework we use for assigning ESG ratings.</p> <p>We therefore request for BP7b(i) be deleted as it risks undermining subscription-based business model.</p> <p>2. It is not clear how this provision could be implemented with respect to ESG data products. An ESG Data Provider could produce thousands of data points related to thousands of entities across an array of offerings. It would not be feasible to inform each of these entities in advance of publication or after publication of ESG data product of the grounds on which the ESG data product is based. We therefore request BP7b(ii) be deleted.</p> <p>Best Practice 7(c):</p> <p>1. This Best practice should be restricted to ESG rating only. Please refer to our response to BP7b(ii) above.</p> <p>2. ESG ratings providers should give due consideration to issues raised that relate to the accuracy of information and should take appropriate steps to correct errors when identified. Also refer our comments to BP7b(i) above.</p>
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	<p>3. MSCI supports providing issuers with information related to the sources of data used for ESG ratings, the rating methodology and the covered entity’s rating report. However, the provision further suggests that the company should be notified or communicated of the data and information underlying the products, thereby allowing time for the covered entity to check whether there any factual errors in the ESG rating, as well as the data information underlying the rating. We are concerned that the proposed approach would result in significant unintended consequences, including potential conflicts of interest, by seemingly granting issuers an inalienable right to challenge “errors” entirely unrelated to data accuracy and delay announcements that may affect them. There is no similar pre-requisite for journalists or equity analysts. The proposed approach would set a dangerous precedent for the publication and distribution of information to the market and would damage the reputation of the domestic market against international markets where there is no such restriction on the publication of information without “approval” from the related entity/issuer. Please refer our response to BP7b(ii) above.</p> <p>We therefore suggest the following modified text of provision 7(c) – c. allow the covered entity time to draw attention to any factual errors, including the data and information underlying the ESG rating;</p> <p>Best Practice 7(d): This does not align with the subscription-based model. Issuers do not request or pay for a rating. Under the subscription-based model, ESG Rating Providers are not mandated under contract with the issuer to assign a rating to the issuer. The feedback sought from the rated entity may not always lead to a rating review.</p> <p>Therefore, to reflect the practical scenario we propose the following text – d. publish terms of engagement describing how and when it will typically engage with the covered entity, including when information is likely to be requested and the opportunities available to the covered entity for providing feedback.</p> <p>Question 6: We welcome the proposal that the CoC be adhered to on a “Comply or Explain” basis consistent with the approach adopted by other jurisdictions such as Japan FSA and the proposed voluntary code of conduct recently published by the ESG Data and Ratings Working Group (DRWG) in the UK. The comply or explain model is a sensible initial approach for an evolving industry. Further, to the extent the Code applies to ESG Data Providers, it should be made applicable on a delayed timeline (e.g. one year following application to ESG Rating Providers), because of the specific challenges associated with implementing these measures for data products.</p> <p>Question 7: We support the proposed checklist in Annex 2. The details under Annex 2 will facilitate transparency and provide the minimum set of details about the ESG rating and data product providers before availing of the services.</p> <p>Question 8: The third-party assurance is not consistent with a voluntary comply or explain model that is intended to provide flexibility for a nascent industry. This could be revisited once requirements are settled under formal regulation. Requiring disclosure of</p>
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		<p>third-party assurance could also discourage voluntary adoption of the Code. Therefore, we propose to delete the following fields from the checklist: Company name of the Independent external assessor, date of assessment and remarks by assessor. The checklist also requires the Director of the ESG ratings and data product provider. Considering there are varied governance structures adopted by the ESG ratings and data product providers, we suggest approval of a senior official responsible for the ESG ratings and data product business should suffice.</p> <p>Question 9: Please refer our response to Question 7 and 8.</p> <p>Question 10: We support the industry wide voluntary Code of Conduct and it is too early to consider a regulatory framework for ESG rating providers. We support MAS’ proposal to bring ESG rating providers in the CMS licensing regime after the Code of Conduct is adopted and the industry matures. However, ESG rating providers should not be folded into the regulations of Credit Rating Agencies considering the inherent differences between the roles and functions of the ESG rating provider. A credit rating is an opinion on the creditworthiness or the relative degree of risk of timely payment of interest and principal amount. ESG ratings measure a company’s resilience to long-term, industry-specific, financially relevant ESG risks and opportunities. ESG ratings are not credit ratings.</p> <p>Question 11: The regulatory framework to govern ESG rating providers offering services in their respective jurisdiction is still at an early stage. The UK HM Treasury is yet to publish the final text post its consultation. The EU draft regulations on ESG rating providers is currently at a proposal stage. India’s securities market regulator SEBI has notified the final regulations on ESG rating providers providing rating services depending on whether the rating provider is based in India or outside India, but there is no registered ESG rating provider currently in India. Therefore, there is no empirical evidence to show whether adopting a regulatory approach that is fragmented across jurisdictions is the ideal way forward. On the contrary, we believe given the evolving nature of the sector and the potential for unintentional conflicts with other initiatives, we recommend eliminating references to specific jurisdictions and locations. The report of the International Regulatory Strategy Group (IRSG) highlights that the fragmentation of conduct rules across borders will hamper the development of the market, duplicate compliance costs, and potentially prevent cross-border competition. It also acknowledges that those ERPs that are able to provide a unified, quality product and methodology on across-border basis will in time develop centres of expertise and knowledge, allowing for cross-learnings and faster dispersement of best practice to all areas of the market. Though a regulatory regime may ultimately be adopted, we suggest a delayed timeline for introducing a regulatory framework be adopted by MAS to avoid confusion amongst the ESG rating providers in Singapore due to varied regulations that are in the making globally.</p> <p>Question 12: Please refer our response to Question 11.</p> <p>Other Comments:</p>
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		<p>We appreciate the efforts of the Monetary Authority of Singapore (MAS) to develop the voluntary Code of Conduct, and we thank you for the opportunity to provide our comments. We have provided our responses and comments to the Draft Code through the portal prescribed by MAS. We welcome the approach proposed by the MAS in developing the Draft Code on a comply or explain basis, which establishes principles of conduct for ESG Rating Providers and ESG Data Product Providers. MSCI supports the primary principles proposed in the Draft Code. In our responses we offer our observations on the Draft Code and suggest adjustments in order to provide further clarity and alignment with its underlying objectives. The following are the key points which we propose to highlight for your kind consideration:</p> <p>1. Application of the Code to ESG Data Providers poses material challenges.</p> <p>The Draft Code applies to both ESG ratings and ESG data products. ESG ratings and ESG data products cannot be equated with regard to transparency and definition of methodologies. ESG data products captures thousands of data points, and requiring disclosure thereof, would not be feasible. As we have raised with IOSCO and other regulatory authorities, extending the Draft Code to include ESG data products and ESG Data Product Providers presents several key challenges:</p> <ul style="list-style-type: none"> - The universe of what constitutes “ESG data” is rapidly evolving. Defining boundaries and/or devising rules across so many different types of data sources is not feasible and will create an overly broad Code that is not appropriately tailored, stifles innovation and slows down the rapid evolution of solutions to assist the market in understanding and measuring ESG risk and opportunities. - Principles of conduct that may be appropriate for ESG ratings present significant challenges if applied to ESG data products. For example, publishing methods and process for the computation of data is not equivalent to publishing methodologies for ESG ratings. Publishing methods and process for the computation of data could extend to thousands of data points within an ESG data product. This will simply not be feasible, undermine intellectual property and discourage service providers from creating solutions to address ESG risk. - Not feasible to regulate the entire supply chain of raw data. A framework that seeks to capture “ESG data products” and/or “ESG data product providers” is overly broad and unmanageable. It could potentially capture a company that publishes information on its own ESG profile, a government agency that tracks and publishes Greenhouse Gas Emissions, a journalist that publishes information on an ESG profile of a company or even a national weather service. As currently drafted, these provisions would create significant obstacles to providing ESG data to the market. In our feedback submitted through the portal we have highlighted the provisions that are particularly problematic for ESG data products and ESG data product providers, and suggest amendments or deletion of the text of the provisions to eliminate or mitigate these challenges. <p>2. The Draft Code should be business model agnostic ESG rating providers operate under various business models, including an issuer-pays model and subscription-based model.</p> <p>The ability for these providers to select the most appropriate model for their business should be protected. While the Draft Code includes language that recognises and accommodates different business models, some provisions of the Draft Code assume an issuer-pays model. For example, the Draft Code includes provisions to “expeditiously” inform the covered entity of the principal grounds on which the ESG rating and data products are based before or after the publication of</p>
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		<p>the ESG rating, publishing the terms of engagement describing how and when the ESG rating provider will typically engage with the rated entity, including when information is likely to be requested and the opportunities available to the rated entity for review. Under the subscription-based model, the ESG rating provider does not necessarily have a relationship (contractual or otherwise) with the rated entity. As currently drafted, these provisions could undermine the independence of ESG rating providers and may not be feasible from an operational perspective.</p> <p>3. Phase-in the Code for ESG Data Product Provider To the extent the Draft Code applies to ESG data products and ESG data product providers, we recommend a phased-in approach. Under this phased-in approach, upon the Draft Code taking effect for ESG ratings and ESG rating providers, we would recommend a transition period of one additional year for the adoption of provisions relevant to ESG data products and ESG data product providers considering the challenges highlighted in point 1 above.</p> <p>4. Disclosure of voluntary third-party assurance need not be part of the checklist The third-party assurance proposed in the checklist (i.e., Annex II of the Draft Code) is not consistent with a voluntary comply or explain model that is intended to provide flexibility for a nascent industry and could also discourage voluntary adoption of the Code. We welcome ongoing engagement on the Draft Code and look forward to further discussions with MAS on our submission on the portal.</p>
15	MUFG Bank, Ltd.	<p>Question 1: The list of excluded products includes a credit rating that takes into account ESG profile. However, a rank or score to measure performance of ESG profile or characteristic is likely to impact credit profile of rating target. Can we request for further clarification on how MAS intends to differentiate between those that provide ESG ratings along with credit ratings (e.g. S&P and Moody’s) versus those that are exclusively assessing ESG profile (e.g. Sustainalytics)? Most ESG ratings are heavily impacted by the sectors that a rating entity operates in. Rating of a sector may be as important as the rating target alone. Would the agencies providing rating for sectors alone or combined also be considered in the definition of ESG rating?</p> <p>Question 2: Yes, we agree that they should be scoped in under the CoC as there is dependency on SPOs for validation.</p> <p>Question 3: Please refer to comments to Q1.</p> <p>Question 4: Data source related information would be useful, and we noted that this is being mentioned in the draft CoC in Annex 1.</p> <p>Question 5: The list in Annex 1 is comprehensive in our view. We understand that this would reference the CoC applicable to credit rating agencies plus those which are specific to ESG ratings and data.</p> <p>Question 6: No comments.</p>



		<p>Question 7: The checklist is comprehensive in our view. We would like to clarify if the box below each principle (e.g. the box on top of page 2) is meant to provide a summary of compliance with individual principles and explanations. If not, it would be useful to include a summary in the template.</p> <p>Question 8: This approach could be appropriate for smaller ESG rating providers, but beyond a certain threshold of rating targets it may be worth exploring a mandatory audit or 3rd party assurance.</p> <p>Question 9: Validation or back testing results could be shared to provide more confidence and encourage adoptability. A common source of raw data would ensure minimal distortion and manipulation.</p> <p>Question 10: We welcome the proposal for licensing.</p> <p>Question 11: Yes, for those that are not already regulated in their home countries. Exemptions can be considered for providers that are adequately licensed or regulated in their home countries.</p> <p>Question 12: No comments.</p>
16	Norges Bank Investment Management	<p>Question 1: We welcome the decision by MAS to base its definitions of ESG rating and ESG data products with the ones provided by IOSCO in its November 2021 report. We encourage MAS to further align the wording of these definitions with the IOSCO ones. For example, MAS could remove the reference to data “to which estimations, calculations or analysis has been added” in the definition of ESG data products. We note that this reference might otherwise exclude from the scope of the proposed code of conduct any ESG data product which has been subject to collection and aggregation, but not added analysis.</p> <p>Question 2: We support MAS’ intention to align the scope of the Code of Conduct with the IOSCO report, and therefore exclude external reviews such as Second Party Opinions which have been classified by IOSCO as “other ESG services”.</p> <p>Question 3: We suggest the two definitions are better aligned in regard to the scope captured. Currently, the suggested definition of “ESG Rating Provider” covers entities offering or providing ESG ratings “in Singapore” or “out of Singapore”, while the suggested definition of “ESG Data Product Provider” refers to the provision of such products “to participants in the financial market in Singapore”. The latter definition therefore seems to be based on a user location approach, while the former could leave room</p>



		<p>for interpretation on whether it refers to the location of the providing entity or the client.</p> <p>Question 4: While information on a company’s forward-looking strategic plans, including transition plans, is very useful and increasingly expected from investors, we caution against embedding an expectation in the Code that all ESG ratings and data providers should include transition risks and opportunities in their assessment. While we understand that this would be a disclosure requirement as opposed to a substantial requirement for all providers, we believe that an assessment of transition plans is not necessarily suited for inclusion in a composite ESG score. Transition plans are indeed relevant to a company’s exposure and management of climate-related risks, and might therefore be taken into account by rating providers as they assess the entity’s management of such risk, but might be less relevant for other E, S and G factors such as human rights or human capital management issues. However, we do acknowledge that the market offers ESG data products such as transition risk scores, where an assessment of such forward-looking plans is key to the provider’s methodology.</p> <p>Question 5: We welcome the reference in Principle 1 to transparent and defined methodologies, as well as the related best practices calling for disclosures of information regarding changes made to the methodologies and the potential impact of these changes. Similarly, we welcome the call for transparency on the data sources used, including the use of industry averages, estimates or other methodologies. Specific methodologies used by ESG rating providers differ considerably in the scope of the issues assessed, choice of data points, and weighting factors; transparency on all these is therefore essential to enable users to understand the objectives and limitations of the specific ESG rating. Regarding substantial methodology changes and related disclosure best practice, it would be helpful to receive information on the impact these have on the quality, coverage, and distribution of ESG ratings.</p> <p>We support Principles 2 and 3 and the importance of identifying, managing and disclosing conflicts of interests that may compromise the independence and objective of entities’ operations. Providers should have policies and procedures to manage conflicts of interest, and functional separation of business units providing advisory services to rated entities. Best practice under these principles could also include transparency on providers’ governance and resources, including funding models and fee structures. We support the requirement for providers of issuer-paid ESG ratings not to accept any contingent fee arrangements, as this could impair the objectivity of the rating and represents a clear conflict of interest.</p> <p>Principle 4 on transparency is essential to enable users of ratings and data products to use them in confidence. We strongly welcome the call for transparency on methodology, as well as the suggested best practices on labelling, sources of data, measurement objectives of the ESG rating/data product, criteria used to assess the covered entity, the KPIs used to assess the covered entity against each criterion, and their relative weighting. We suggest a reference is also added to disclosure of whether the ESG rating is a relative assessment of an entity compared to its peers or an absolute score, together with disclosure of what constitutes a peer group if the former. The requirement on disclosure of the measurement objective of the</p>
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		<p>rating/data product could also be edited to include an explicit reference to the chosen approach to materiality, whose disclosure could help users better understand what a rating seeks to achieve.</p> <p>Finally, we note that some of the requirements and best practices under Principle 4 overlap with those listed under Principle 1 (notably disclosure on methodologies and sources of data) and call on MAS to streamline the text and eliminate such potential repetitions.</p> <p>We also support Principle 6, which calls for an efficient information procurement process and recognises that information gathering can often be resource intensive for rated entities, and Principle 7, which supports a rated entity’s “right to reply”. We believe that ESG ratings and product provides should provide rated entities with an opportunity to correct any factual mistake, and that they should collect information from publicly disclosed reports rather than ad-hoc questionnaires whenever possible.</p> <p>Question 6: No comments.</p> <p>Question 7: We believe that the proposed checklist could potentially be streamlined and require disclosure at the principle level rather than best practice level.</p> <p>Question 8: No comments.</p> <p>Question 9: No comments.</p> <p>Question 10: No comments.</p> <p>Question 11: The market for ESG ratings and data products is global and many providers operate across borders, which is why we have welcomed the work undertaken by the International Organisation of Securities Commissions (IOSCO) and its recommendations issued in November 2021. We support the global harmonisation of regulatory regimes for ESG rating and product providers based on the IOSCO recommendations, and suggest any regime for non-Singapore providers be based on the IOSCO principles. A mechanism for recognition of third country regulatory regimes might also be beneficial and help avoid overlapping requirements, and this mechanism should ideally be based on the third country’s compliance with the IOSCO recommendations.</p> <p>Question 12: No comments.</p>
17	OCBC Bank	<p>Question 1: No comments.</p>



		<p>Question 2: Yes, to ensure good governance of SPOs which banks frequently rely on for Sustainable Finance transactions.</p> <p>Question 3: No comments.</p> <p>Question 4: No comments.</p> <p>Question 5: No comments.</p> <p>Question 6: No comments.</p> <p>Question 7: Allow ESG rating and data product providers who have answered 'Yes' to provide a description of their actions taken and links to relevant documents for the users' reference.</p> <p>Question 8: We agree to encourage ESG rating and data product providers to undergo third-party assurance or audit.</p> <p>Question 9: No comments.</p> <p>Question 10: No comments.</p> <p>Question 11: We highly recommend for overseas based ESG rating providers who offer ESG ratings to Singapore users to be subject to the proposed regulatory requirements as banks to ensure that all ESG providers used in Singapore are subject to the same level of scrutiny.</p> <p>Question 12: No comments.</p>
18	RHB Bank Berhad, Singapore Branch	<p>Question 1: We are agreeable to adopt MAS' proposed definitions.</p> <p>Question 2: We suggest scoping in Second Party Opinions as ESG data products under the CoC.</p> <p>Question 3: We are agreeable to adopt MAS' proposed definitions.</p> <p>Question 4:</p>



		<p>We think it should be a requirement to disclose how transition risks and opportunities are factored into ESG Ratings and data products.</p> <p>Question 5: We agree with MAS’ proposed principles and best practices set out in the draft CoC in Annex 1.</p> <p>Question 6: We agree with MAS’ proposal to be adhered to on a “Comply or Explain” basis.</p> <p>Question 7: We agree with MAS’ proposed Checklist (Annex 2) as it would enable product users to easily identify compliant providers and facilitate interoperability for ESG Rating and data product providers’ global operations.</p> <p>Question 8: We agree with MAS’ proposal on third party assurance or audit on ESG rating data product providers’ self-attestations to be adopted. However, we suggest considering for third party assurance or audit be made mandatory.</p> <p>Question 9: No comments.</p> <p>Question 10: We think that like CMS, similar licensing regime under SFA should also be ESG rating providers to ensure that regulations, guidelines and notices are adhered to.</p> <p>Question 11: To reduce harm to users in Singapore where ESG ratings are offered by providers based overseas, overseas based ESG rating providers should similarly be subject to the proposed regulatory regime for ESG rating providers.</p> <p>Question 12: No comments.</p>
19	Schroder Investment Management (Singapore) Ltd	<p>Question 1: We note that the definitions are broad. We agree with the list of excluded products on the basis that such products are already regulated under existing regulations. We also agree that ESG data, where no estimation, calculation or analysis is present, should be excluded from regulation. We also agree with the exclusion of research analysis and reports where ESG data and ratings may be created. Where ESG ratings are part of a wider piece of research we have carried out on a possible investee company, and where this is made public or shared with clients, the ESG rating is simply one facet of the research and there is rightly no suggestion that research should be regulated. Active managers should be left to compete as to the quality of the insights they provide clients and the quality of the investment decisions they ultimately make.</p> <p>Question 2: We agree SPOs are different from other ESG data products and so a classification under “other ESG services” is appropriate and consistent with IOSCO.</p>



	<p>Question 3: We agree with the proposed definitions and the requirement for the product providers who have a nexus to activities and institutions in the securities and derivatives industry in Singapore, which is consistent with proposals elsewhere such as the UK. We note the importance to distinguish activities that involve the provision of ESG ratings and data product providers as a commercial service, and the creation of ESG data and ratings by asset managers and other financial institutions for their own use. We think this is critical to avoid unnecessary regulation where ratings are simply being used as another facet of the investment process and for client engagement purposes. Regulating this could stifle innovation and disincentivise investment in more sophisticated measurement of ESG characteristics which would be counterproductive for the Government’s overall green finance aims, and our ability to innovate in the interests of our clients We also think the same logic should be applied where ratings are used by other entities in the same group. In the context of the Schroders Group, these are no genuine ‘third parties’ that ratings are being sold to. There are many factors that influence the legal structure of financial services groups, but sharing internal insight between parties within a group does not present the risks of harm that the proposed regulation intends to address.</p> <p>Question 4: We agree disclosure explanation of how transition risks are incorporated is appropriate, without mandating their inclusion into methodologies.</p> <p>Question 5: We see the draft CoC as appropriate.</p> <p>Question 6: We agree the comply and explain approach is a good initial step to set out best practices while being proportionate and flexible to accommodate different sizes and types of rating providers in a still maturing market. The MAS may want to consider more stringent requirements where ratings are of greater systemic importance where the potential harm caused by such ratings are higher (for example based on some measure of usage such as outstanding instruments they refer to).</p> <p>Question 7: We have no additional input on this.</p> <p>Question 8: We agree third party assurance or audit should be on a voluntary basis at this stage.</p> <p>Question 9: We have no additional input on this.</p> <p>Question 10: While subjecting ESG rating providers to regulation will likely raise standards of quality, governance and accountability, it may further cement poor pricing practices if ESG ratings providers pass on the costs of regulation to their customers. There is already an inelastic demand for ESG ratings and an increasingly concentrated supply of these services. This creates the conditions in principle, and we are beginning to see in practice, for anti-competitive pricing practices and disincentives to improve</p>
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		<p>data quality and service. We therefore think it is important that the MAS considers the competitive environment when implementing a regulatory regime, and consider this in the monitoring period and implement any necessary remedies to mitigate implications on competitiveness.</p> <p>Question 11: In general we are sceptical of the merits of extra-territorial regulation and believe there are often practical challenges for the regulators in this approach (for example the efficacy of supervision and, where needed, enforcement against entities where the ‘mind and management’ is overseas). However, in this case we support the proposal given that the major players are, currently at least, based overseas and the harms of any failures in the provision of ratings will be felt by the users in Singapore. We note the importance of the proportionality of the requirements so that the burden is not seen as disproportionate by overseas providers of ESG ratings. Appropriate equivalence mechanisms with overseas regimes will also be important as many other jurisdictions are also introducing similar regulations (for example the European Union and the UK).</p> <p>Question 12: We do not have views on the specific number of months, only that the competitive market dynamics as well as developments in other jurisdictions should be considered over the monitoring period.</p>
20	SeaTown Holdings International Pte. Ltd.	<p>Question 1: We agree with the definitions of "ESG rating" and "ESG data product" in the proposed CoC. We also agree with the exclusion of credit ratings from the definition, especially because ESG is used as one factor in the evaluation of credit worthiness.</p> <p>SeaTown's approach to ESG integration is focused on financial materiality and we utilise ESG data products as part of our comprehensive analysis of our investments. Given the lack of standardisation in approach between ESG providers and most ESG ratings entail an opinion, it is important to ensure a high degree of transparency, data quality and avoidance of conflicts of interest by providers.</p> <p>Question 2: We are of the view that Second Party Opinion (SPO) providers should be scoped in under the CoC. This is because in the absence of standardised methodologies across providers, SPO providers provide additional assurance and verification services to data users. Furthermore, such providers of SPO are often also providers of ESG ratings and data themselves. Therefore, it is necessary for SPO providers to be scoped in to ensure that there is no conflict of interest between the SPO providers and the ESG rating and data product providers.</p> <p>Question 3: We agree with the definitions of "ESG Rating Provider" and "ESG Data Product Provider" and exclusions in the proposed CoC.</p> <p>Question 4: We are of the view that ESG rating and data product providers should disclose how transition risks and opportunities are factored into ESG ratings and data products. This is because a common criticism of ESG ratings is that they are often based on</p>



		<p>historical backward-looking data. This may not adequately capture financially material ESG issues that may arise in a company in the future. Therefore, incorporating forward-looking elements into the analysis can address this criticism. We recognize that this would entail more qualitative opinions and judgments to be applied by the providers, which can be subjective. This is why we view transparency to be of great importance for areas where the most judgments on materiality are applied.</p> <p>Question 5: We are supportive of the principles and best practices in the proposed CoC as it aligns with most of the IOSCO recommendations. Recommended guidelines and best practices would help to set minimum baseline standards on conduct in the currently largely unregulated industry, while still providing a sufficiently flexible framework in the event of future business model changes.</p> <p>Question 6: We are of the view that the CoC should be adhered to on a "Comply or Explain" basis. This will help to promote greater consistency and instil greater confidence among market participants with regards to ESG ratings and data.</p> <p>Question 7: We are supportive of the proposed checklist in the CoC. This is because with a checklist format, users of the ESG data can easily compare the compliance of different data providers to the CoC. This will allow them to make better informed decisions regarding which ESG rating and data provider they want to use.</p> <p>Question 8: We are of the view that third-party assurance or audit on ESG ratings and data should be adopted by providers on a voluntary basis. This is because ESG data providers who undergo voluntary third party assurance will be able to improve credibility. We are of the view that it should be adopted on a voluntary basis as not all data providers may have the resources to afford assurance or audit.</p> <p>Question 9: We are of the view that all the principles outlined in the CoC and its future revisions should be globally relevant. This is because having globally relevant principles will assure foreign investors that the ESG data and ratings of companies in Singapore are credible and adhere to global standards. This will help to boost foreign investors' confidence in Singapore's ESG rating and data landscape.</p> <p>Question 10: We are supportive of the proposal to bring ESG rating providers into the CMS licensing regime as it helps to ensure that the ESG rating providers will be regulated by MAS, who can hold them accountable to produce quality and credible ESG ratings.</p> <p>Question 11: We are of the view that overseas based ESG rating providers who provide ESG ratings to users in Singapore should be subjected to the regulatory regime of MAS. This will help to ensure that the data received by such users comply with</p>
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		<p>international standards of CoC for ESG data providers, enhancing Singapore's credibility in the ESG ratings and data landscape.</p> <p>Question 12:</p> <p>We are of the view that a period of 18 to 24 months would be an appropriate monitoring period after the implementation of the CoC. We are of the view that this provides sufficient time for ESG rating and data product providers to operationalise the CoC and also raise any questions or feedback regarding the CoC. We note that while the proposed CoC can help to improve the quality of ESG ratings and data from the providers, ultimately the quality of ESG ratings and data is also heavily dependent on the quality of disclosures made by the underlying companies. Therefore, we are of the view that the next step after the CoC will be for MAS to establish a mandatory standardised ESG disclosure regime for companies in Singapore. This will make it easier for investors of companies in Singapore to evaluate the ESG performance of their company.</p>
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