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FCA Consultation Paper 25/34: Regulating ESG rating providers

We refer to the consultation on Regulating ESG rating providers (CP25/34). We appreciate the opportunity to provide our investor perspective.

Norges Bank Investment Management is the investment management division of the Norwegian Central Bank (Norges Bank) and is responsible for investing the Norwegian Government Pension Fund Global. NBIM is a globally diversified investment manager with approximately 21,300 billion Norwegian kroner under management. Of these, about GBP 80 billion was invested in the United Kingdom at year end 2025.

As a long-term and global investor, we consider our returns to be dependent on sustainable development in economic, environmental, and social terms. We are a user of ESG ratings and have an interest in a well-functioning ESG data and ratings market. While we do not apply individual ESG ratings directly to make investment decisions, we use them in combination with other information to make informed judgments. Our internal analysis of sustainability-related portfolio risk draws on the data, metrics and indicators underlying ESG ratings, rather than the ratings themselves.

We welcome the FCA's work to establish a regulatory framework for ESG rating providers that aligns with international best practice. The proposals should enhance transparency, reliability, and integrity in ESG ratings, benefiting investors and supporting the well-functioning of financial markets. The market for ESG ratings is global, hence we welcome the strong alignment of the FCA's proposals with the 2021 IOSCO recommendations and the ICMA voluntary Code of Conduct, which will facilitate interoperability with regulatory frameworks in other jurisdictions.

We support the structure of the proposed regime around the key outcomes of good governance, systems and controls, transparency, and stakeholder engagement. Increased transparency on ESG ratings can notably enhance pricing efficiency and the well-functioning of markets. The diversity in the assumptions, objectives, and methodological approaches used by rating providers might not always be apparent to clients and other stakeholders, which can cause ESG ratings to be misinterpreted. We believe that the variety of rating products being available on the market is positive, but enhanced transparency is needed to help users understand the differences.

We support the FCA's proposed two-tier disclosure framework, which appropriately distinguishes between public disclosures and more detailed disclosures to users and rated entities. This structure is consistent with our view that there should be clear differentiation between general methodological disclosures (made publicly) and specific rating disclosures (made to users and rated entities). Finally,

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we make some suggestions for incremental disclosures we would find valuable, and conversely underline some proposed disclosures which in our view do not create significant benefit and could be reconsidered. We believe that the FCA has overall struck a sensible balance on the proposed transparency requirements, but would encourage continued consideration on the potential burden for smaller market players and innovative firms entering the ESG rating market.

We particularly welcome the proposed minimum public disclosure requirements on rating methodologies, which cover the approach to materiality, weighting and aggregation of different ESG factors being assessed, the absolute or relative nature of the ratings, and information on type of data used and their sources, as well as summary disclosures on the main data policies and processes including on gaps. We suggest incrementing these disclosures with information on rating providers' quality assurance process, and more explicit requirements on how peer groups are selected, if the rating is expressed in relative terms.

Regarding disclosures required for users and rated entities, we suggest that some of the proposed disclosures are applied at product level rather than individual rating level, where such information is in practice unlikely to vary by rated entities. This could include information on how data is estimated and how data gaps are handled. Alternatively, detailed explanations of the sources of specific data points used in the rating could potentially be made available upon request by either the rated entity or user, rather than systematically disclosed. Conversely, we suggest the FCA enhances the proposed disclosure on the outcome of methodology reviews by requiring information on how historical ratings are treated.

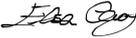
Our detailed response to the consultation questions is set out below. We have focused our comments on those questions where we have specific views to contribute.

We thank you for considering our perspective and remain at your disposal should you wish to discuss these matters further.

Yours sincerely

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Annex: Response to Consultation Questions

Transparency

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

We support the FCA's proposals for minimum public disclosures. Transparent methodologies are essential for enabling users to understand ESG ratings and make informed decisions about their use. We welcome in particular:

- The requirement to disclose the product's objective, including whether it assesses ESG risks, impacts, or other dimensions, which enables users to understand what a rating seeks to achieve.
- The summary methodological disclosures covering data sources, weighting, aggregation, and main assumptions, which align with our view that ESG rating providers should disclose their methodologies and use of estimation. Disclosure on weights could include how these are driven by the materiality lens of the rating (e.g. financial, impact, or double), and/or by third party materiality frameworks and mappings.
- The requirement to disclose whether ratings are expressed as absolute values or relative to a peer group, and how peer groups are selected.
- The disclosure of the date and nature of the last material methodology change, as well as the frequency of methodology reviews, which support understanding of the current state of the methodology.
- The requirements for disclosure of conflicts of interest policies.

These disclosure requirements align with our published position that ESG rating providers should disclose their methodologies, data sources, and use of estimation¹. We support the policy intention to accommodate different materiality frameworks (risk-based, impact-based, or double materiality), as this variety can serve investors with differing needs and perspectives, provided that the chosen approach is transparently disclosed.

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

While the proposed public disclosures are comprehensive, we suggest the FCA consider requiring more detailed disclosure of peer group definitions where ratings are expressed in relative terms. The current proposal requires disclosure of whether ratings are relative and how the peer group is selected, which is welcome. Understanding the precise criteria for selecting peer groups, e.g. whether by sector or market, would enable users and other stakeholders to better compare relative ratings across providers. This is particularly important given the significant impact that peer group selection can have on relative rankings.

Furthermore, we suggest the FCA requires information on rating providers' quality assurance processes as part of the minimum public disclosures. Whilst the proposed governance requirements outlined in Chapter 4 create strong safeguards for rating users through the FCA authorisation and supervisory process, users of ratings and other stakeholders would benefit from additional transparency on quality control and data accuracy policies, including approaches to data estimation.

¹ [ESG ratings | Norges Bank Investment Management](#)



The proposed disclosure required for a summary of the main data policies and processes could be strengthened to achieve this aim.

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

We agree with the product-level requirements for a full explanation of methodology and the policy on methodology reviews, as well as the individual rating-level disclosures on scope of business activities covered and most recent rating update. We particularly welcome the proposed disclosures on the factors, criteria and data used to assess the relevant characteristics of the rated item; in our view, the specific weights assigned to different ESG factors should also be disclosed to users and rated entities. These provisions will enable users to conduct appropriate due diligence and understand how the rating is being derived.

However, we query whether some of the suggested individual rating-level disclosures could be made at product level instead, as they might look virtually identical across individual ratings. This might be the case for the information on how data is estimated and data gaps handled, as well as the factors, criteria and data used to assess the relevant characteristics of the rated item. Alternatively, detailed explanations of the sources of specific data points used in the rating could potentially be made available upon request by either the rated entity or user, rather than systematically disclosed. In addition, we believe that the added value of disclosing unresolved material challenges made by rated entities to the ratings' factual accuracy is less crucial for direct users, and could be removed.

We support the approach to onward sharing, which ensures that when users are permitted to share ratings with third parties, they can also share the accompanying disclosures. This is important for maintaining transparency throughout the value chain.

Question 7: Are there any key minimum disclosures missing from the proposed list in Table 3? If so, please specify which disclosures and why they should be included.

We suggest the FCA strengthens the requirements regarding disclosure of how historical ratings are treated when methodologies change. While the proposals address the process and outcome of methodology revisions and notification of material changes, they could be enhanced to require explicit disclosure of the impact of methodology changes on existing ratings. This would enable users to understand how comparable current ratings are to historical ratings and to appropriately adjust their analysis when methodologies are revised. Furthermore, linked to your response to Question 5 on public disclosures, we suggest that the specific composition of the peer group (i.e., which rated entities form part of the peer group) should be disclosed to users when a rating is expressed in relative terms.

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

We agree with the FCA's general expectations that disclosures must be easily accessible, prominent, free to obtain, clear and easy to understand, accurate, fair, and not misleading. We support the expectation that providers consider what information could reasonably be expected to help recipients' understanding. We also support the proportionate approach to trade secrets, requiring providers to explain what they cannot disclose and why, rather than providing a blanket exemption. This balances commercial confidentiality with users' legitimate information needs. Finally, we agree on the importance for providers of maintaining the flexibility to tailor disclosures appropriately for different rating products, without detriment to the minimum transparency requirements.

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Governance, Systems and Controls

Question 10: Do you agree with the proposed governance approach for rating providers? If not, please specify what you disagree with and why.

ESG rating providers should have robust governance arrangements to ensure the integrity, independence, and reliability of their ratings. We support the proposed governance approach, which covers requirements for quality assessments, including consistent application and revision of methodologies, as well as data quality and accuracy. We welcome the recognition that global rating providers may have complex organisational structures, and the flexibility provided to accommodate these while ensuring appropriate oversight of UK operations. We believe the governance requirements should ensure transparency on providers' governance structures, funding models and resources; this information helps users understand potential conflicts of interest affecting the rating process.

Question 11: Do you agree with the proposed approach to systems and controls? If not, please specify which elements you disagree with and why.

We support the proposed approach to systems and controls. ESG rating providers should have appropriate systems and controls in place to detect and correct errors, and adequate resources to ensure rating quality. We particularly welcome:

- The quality control requirements ensuring ratings are produced in line with methodology and that data is verified for timeliness and accuracy.
- The requirement for periodic methodology review to confirm whether it continues to meet its intended purpose. We do not believe that mandating a specific frequency is necessary.
- The data quality requirements, including policies for ensuring data is accurate and up-to-date.
- The recommendation that providers use publicly disclosed data sources wherever possible, which enhances verifiability and reduces information asymmetry. This should also help relieve the data collection burden on rated entities.

Question 12: Do you agree with the proposed requirement to give rated entities and users notice of material changes to a methodology? Should any other stakeholders also be given this notice?

We support the requirement to notify rated entities and users of material methodology changes. This aligns with our view that providers should communicate changes to their methodologies and explain the impact these changes have on the quality, coverage, and distribution of ratings. We do not believe it is necessary to notify other stakeholders, such as the wider public, of material methodology changes.

We suggest strengthening this requirement to explicitly include disclosure of the impact of methodological changes on historical ratings. Users need to understand how methodology changes affect the comparability of ratings over time, and providing sufficient time for stakeholders to consider the information before changes take effect is essential.

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

We support the FCA's proposed approach to conflicts of interest, which requires ESG rating providers to identify, prevent and manage conflicts of interest; disclose information about conflicts that cannot be fully mitigated; and maintain an effective conflicts of interest policy. We support the approach that disclosure of conflicts should be a final measure after adequate steps have been taken to address



them, and that providers must maintain an effective and transparent conflicts of interest policy. Policies and procedures that rating providers should have in place to manage conflicts of interest could include functional separation of business units assigning ESG ratings and those providing advisory services to rated entities.

Stakeholder Engagement

Question 15: Do you agree with the proposed approach for stakeholder engagement? If not, please specify what you disagree with and why, and if you have identified any gaps.

We support the FCA's proposed approach to stakeholder engagement. Although engagement with rating providers can be resource-intensive for both rated issuers and providers themselves, we believe that providers should provide entities with an opportunity to correct any factual mistakes. We therefore welcome the proposals requiring ESG rating providers to:

- Notify rated entities before issuing a rating for the first time, including information on the nature of the rating, the methodology to be used, and how to report factual errors.
- Provide rated entities with the data used in the rating process, free of charge, enabling them to verify factual accuracy.
- Give rated entities a reasonable opportunity to correct factual errors before and after issuing the rating.
- Have procedures for receiving and processing stakeholder feedback.

We welcome the requirement that where data is requested from rated entities, providers must make clear what data is being requested, provide sufficient time for completion, and make the request as easy as possible to complete, such as by pre-populating requests with publicly available data. Whenever feasible, rating providers should collect information from publicly disclosed reports rather than ad-hoc questionnaires, to avoid unnecessary complexity and burden for rated entities.

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