

Annexure A

Table 1: Requirement of sharing draft ESG rating report with the issuer in case of ERPs following a subscriber-pays model (Para 4 of Board memorandum)

S. No.	Proposal in Consultation Paper	Public Comments	Recommendation of CoBoSAC	SEBI's views
1.	ERPs following a subscriber-pays model shall share their report with the subscribers and the rated issuer at the same time. Further, this sharing policy should be disclosed by the said ERPs on their website.	<p>Out of the 21 respondents, 14 have agreed/ are neutral on the proposal.</p> <p>A significant majority of the respondents have endorsed the proposal, inter alia, submitting that the same shall be operationally more efficient for ERPs.</p> <p>The respondents disagreeing with the proposal (7 in number) have submitted that sharing of rating report with the rated entity by a subscriber pays model ERP may result in issuers not engaging the services of an issuer pays model ERP. It has been suggested to mandate ERPs to publish a disclaimer that “the data and information</p>	<p>CoBoSAC agreed with the proposals made in the consultation paper.</p> <p>To address the concern expressed by respondents against the proposal, it was also suggested that rating assigned by the subscriber-pay ERPs shall be based only on publicly available information.</p>	<p>Agree with the CoBoSAC and proposals in this regard have been made in Para 4.3.1 of the Board Memorandum.</p>

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		used in the assessment are derived solely from publicly available sources and have not been obtained in consultation with the rated entity”.		
2.	ERPs following a subscriber-pays model shall ensure that the rated entity/ issuer itself or its group companies or associates are not permitted to be a subscriber to ESG rating and/ or rating of securities of the rated entity/ issuer.	<p>Out of the 21 respondents, 9 have agreed/ are neutral on the proposal.</p> <p>The respondents disagreeing with the proposal (12 in number) have, inter alia, submitted that the proposal could restrict AMCs, banks, and NBFCs from subscribing to ratings of their group entities/ associates. AMCs required by regulations to disclose ESG ratings in portfolios would struggle to meet compliance if they or their holdings are part of the rated group.</p>	<p>CoBoSAC agreed with the proposals made in the consultation paper.</p> <p>Some committee members suggested that group entities of an issuer/rated entity that undertake asset management or insurance could be permitted to be subscribers subject to such norms as SEBI may specify.</p>	<p>Agree with the CoBoSAC and proposals in this regard have been made in Para 4.3.1 and 4.3.2 of the Board Memorandum.</p>

Table 2: Dealing with appeal and representation by the rated issuer in case of ERPs following a subscriber-pays model (Para 5 of Board memorandum)

S. No	Proposal in Consultation Paper	Public Comments	Recommendation of CoBoSAC	SEBI's views
1.	ERPs following a subscriber-pays model shall also grant an opportunity of representation to the rated issuer.	<p>Out of the 21 respondents, 17 have agreed/ are neutral on the proposal.</p> <p>A significant majority of the respondents have endorsed the proposal.</p> <p>The respondents disagreeing with the proposal (4 in number) have submitted that providing an opportunity to the issuer to make a representation or appeal against the ESG Ratings issued by a subscriber-pays model ERP will open an avenue for the rated entity to share information which is not generally available in public domain SPM therefore can turn into hybrid model whereby on one hand the revenue is</p>	<p>CoBoSAC agreed with the proposals made in the consultation paper.</p> <p>Further, if the rated entity/ issuer desires clarification, inter alia, on the methodology or assumptions, the ERP should provide such a facility.</p>	<p>Agree with the CoBoSAC and proposals in this regard have been made in Para 5.3.1 and 5.3.2 of the Board Memorandum.</p>

		generated from subscriber but on the other hand the ERPs will be able to access information provided by the rated entity and provide ESG rating akin to a manner in which issuer-pays model ERPs will issue the rating.		
2.	In this regard, ERPs shall define a timeline to receive comments from the rated entity/ issuer pursuant to sharing of the ESG rating report with the entity. All comments/ clarifications received from the rated entity within the specified timeline shall be included by the ERP as an addendum to the rating report. If the rated issuer has a different viewpoint on the data/ assumptions	<p>Out of the 21 respondents, 16 have agreed/ are neutral on the proposal.</p> <p>A significant majority of the respondents have endorsed the proposal.</p> <p>The respondents disagreeing with the proposal (5 in number) have suggested that SEBI should consider adding specific timelines and standardized templates for representations to make the process more structured and efficient.</p>	<p>CoBoSAC agreed with the proposals made in the consultation paper.</p> <p>Accordingly, ERPs following a subscriber-pays model shall provide 2 working days to the rated entity/ issuer to provide its comments, pursuant to sharing of the ESG Rating Report with the rated entity.</p>	<p>Agree with the CoBoSAC and proposals in this regard have been made in Para 5.3.1 and 5.3.2 of the Board Memorandum.</p>

	<p>stated in the rating report of the ERP, then the ERP, after taking into account the said viewpoint, may either revise the rating report in the addendum report or issue an addendum to the report with its remarks, for circulation to all subscribers as considered appropriate. .</p>		<p>Further, the industry association may devise a standardised format for the rated entities to provide their response/ feedback on the ESG rating report.</p>	
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Table 3: Dispensing with the requirement to disclose the ESG ratings to the stock exchange(s) where the issuer or the security is listed in case of ERPs following a subscriber-pays model (Para 6 of Board memorandum)

S. No	Proposal in Consultation Paper	Public Comments	Recommendation of CoBoSAC	SEBI's views
1.	It is proposed to dispense with the requirement for	Out of the 21 respondents, 18 have agreed/ are neutral on the proposal.	CoBoSAC agreed with the proposals made in the consultation paper.	Agree with the CoBoSAC and proposals in this regard have been made in Para 6.3.1 and

	<p>disclosure of the ESG rating assigned and any changes in ESG ratings or reviews to the stock exchange(s) where the issuer or the security is listed, in case of ERPs following a subscriber-pays model. Such ERPs should affirm lack of any non-public information being in their possession or being harnessed for ESG Ratings.</p>	<p>A significant majority of the respondents have endorsed the proposal.</p> <p>The respondents disagreeing with the proposal (3 in number) have submitted that excluding subscriber-pays ERPs from reporting ratings to the stock exchanges may be detrimental to transparency and accessibility to investors since a centralized reporting of ESG ratings and updates on the stock exchange would create a one-stop shop for all of them.</p>	<p>Further, it was suggested that such ERPs should affirm lack of any non-public information being in their possession or being harnessed for ESG Ratings.</p>	<p>6.3.2 of the Board Memorandum.</p> <p>To address the concern expressed by respondent(s) in respect of centralized reporting of ESG ratings and updates on the stock exchange, it is proposed that ERPs shall disclose the ESG ratings assigned and any changes in the ESG ratings on their website as per the format formulated by the ERP Association in consultation with SEBI.</p>
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Table 4: Specifying Activity Based Regulation for ERPs (Para 7 of Board memorandum)

S. No	Proposal in Consultation Paper	Public Comments	Recommendation of CoBoSAC	SEBI's views
1.	<p>Enabling provision may be added in the CRA Regulations for ERPs to undertake ESG rating of other products/ issuers, including unlisted issuers/ securities, under the respective guidelines of a financial sector regulator or authorities as may be specified by SEBI.</p> <p>SEBI-registered ERPs rating other products/ issuers should not project themselves as SEBI-regulated ERPs and explicitly specify the</p>	<p>Out of the 21 respondents, 19 have agreed/ are neutral on the proposal.</p> <p>A significant majority of the respondents have endorsed the proposal.</p> <p>The respondents disagreeing with the proposal (2 in number) have suggested that detailed specific reporting requirements for ERPs engaging in non-SEBI regulated activities should be specified by SEBI which would enable SEBI to maintain oversight of the broader ESG. It has further been submitted that ERPs should have an option to rate unlisted entities or fixed income securities as from users perspective and research for all asset classes can be procured from a single entity and that ERPs</p>	<p>CoBoSAC agreed with the proposals made in the consultation paper.</p>	<p>Agree with the CoBoSAC and proposals in this regard have been made in Para 7.3.1 of the Board Memorandum.</p>

S. No .	Proposal in Consultation Paper	Public Comments	Recommendation of CoBoSAC	SEBI's views
	<p>regulator/ authority under whose purview such ratings are undertaken and do so in adherence to the rules or regulations or guidelines issued by such regulator/authority.</p> <p>Entities that do not propose to undertake SEBI-regulated activities need not seek registration with SEBI.</p>	<p>should also be allowed to rate products or issuers that are not regulated by any financial regulator too.</p>		

Annexure B

Draft Notification

Amendments shall be notified after following the due process