



Insurance Europe and PensionsEurope – Joint statement on the EC ESG ratings proposal

Insurance Europe and PensionsEurope welcome the measures included in the European Commission's ESG (environmental, social and governance) Rating Regulation proposal, as it will lead to a significant enhancement in the transparency of ESG ratings. Importantly, insurers and pension providers support the initiative's aim of improved ESG rating providers' independence and a reduction in potential conflicts of interest.

However, while acknowledging the positive aspects of these measures and their role in ensuring and promoting a competitive market, further improvements are necessary to advance transparency, comparability and integrity within the ESG landscape. Most importantly, the **Regulation should extend to ESG data itself**. In the context of fulfilling sustainable finance obligations, the need for consistent and robust ESG data cannot be overstated. The absence of a comprehensive public database poses serious challenges for both the insurance and investment industries.

Thus, the European insurance and pensions industries call on the co-legislators to include ESG data products in the scope of the Regulation to address the broader ESG data challenges and ensure the integrity of the ESG landscape.

Addressing the existing data gap by bringing ESG data products within the legislation

There is an urgent need for the availability and transparency of ESG data to be improved, not only to fulfil regulatory requirements but, more importantly, to reallocate capital to sustainable assets. While the introduction of regulation, such as the Corporate Sustainability Reporting Directive (CSRD) and the European Single Access Point (ESAP) in the EU, represents a positive step, it will be a number of years before these pieces of regulation are fully implemented and operational. The current situation necessitates continued reliance on purchased ESG data services, so attaining comprehensive coverage of reporting entities and common definitions and data points will be a gradual process. Introducing a review clause proposing to consider expanding the scope to ESG data providers will, therefore, not be sufficient to address current and foreseeable data-gap problems. A solution is, therefore, needed now to support the financial green transition.

The current ESG data gap cannot be ignored. This issue was highlighted in [ESMA's progress report on greenwashing](#): "the lack of clearly outlined data limitations and disclaimers in the documentation on underlying methodologies poses a high risk to investor protection and hinders comparisons across products and financial market participants". The current market suffers from a deficiency in data integrity and reliability, which is of significant concern given that the quality of ESG ratings predominantly hinges on the data used for their computation. Therefore, it is of the utmost importance that raw data, even in the absence of an assessment (eg, opinion, model), falls within the scope of the legislative proposal.

Covering ESG data within the ESG Rating Regulation is consistent with IOSCO and ESMA recommendations. In November 2021, the International Organization of Securities Commissions (IOSCO) underscored the importance of ESG data to the financial market and called for oversight of both ESG ratings and data-product providers. Given that the draft Regulation already refers to the IOSCO definition for ESG ratings, it is imperative that the definition of ESG data products, which includes ESG raw data as a type of ESG data product, is similarly incorporated into the legislative proposal.



Information about the signatory organisations

About Insurance Europe

Insurance Europe is the European insurance and reinsurance federation. Through its 37 member bodies — the national insurance associations — it represents all types and sizes of insurance and reinsurance undertakings. Insurance Europe, which is based in Brussels, represents undertakings that account for around 95% of total European premium income. Insurance makes a major contribution to Europe's economic growth and development. European insurers pay out over €1 000bn annually — or €2.8bn a day — in claims, directly employ more than 920 000 people and invest over €10.6trn in the economy.

About PensionsEurope

PensionsEurope represents national associations of pension funds and similar institutions for workplace and other funded pensions. Some members operate purely individual pension schemes. PensionsEurope has 25 member associations in 18 EU Member States and 4 other European countries. PensionsEurope member organisations cover different types of workplace pensions for over 110 million people. Through its Member Associations PensionsEurope represents more than € 7 trillion of assets managed for future pension payments. In addition, many members of PensionsEurope also cover personal pensions, which are connected with an employment relation. PensionsEurope also has 20 Corporate and Supporter Members, which are various service providers and stakeholders that work with IORPs. PensionsEurope has established a Central & Eastern European Countries Forum (CEEC Forum) to discuss issues common to pension systems in that region.