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COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
No. Cion doc.:	C(2026) 7853 final
Subject:	COMMISSION DELEGATED REGULATION (EU) .../... amending the regulatory technical standards laid down in Commission Delegated Regulation (EU) No 447/2012 as regards strengthening the transparency and incorporation of environmental, social and governance factors in credit rating methodologies

Delegations will find attached document C(2026) 7853 final.

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EUROPEAN
COMMISSION

Brussels, 9.11.2026
C(2026) 7853 final

COMMISSION DELEGATED REGULATION (EU) …/...

of 9.11.2026

amending the regulatory technical standards laid down in Commission Delegated Regulation (EU) No 447/2012 as regards strengthening the transparency and incorporation of environmental, social and governance factors in credit rating methodologies

(Text with EEA relevance)

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE DELEGATED ACT

The objectives of the Commission Delegated Regulation are to better incorporate environmental, social and governance (ESG) factors in credit rating methodologies and their subsequent disclosure to the public; and to enhance transparency and credibility in the credit rating process.

Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies [1] established the EU regulatory framework for credit rating agencies (CRAs). It sets rules to prevent conflicts of interest, ensure methodological rigour and enhance transparency for investors. Commission Delegated Regulation (EU) No 447/2012 [2] supplements Regulation (EC) No 1060/2009's requirements regarding credit rating methodologies.

Under the 2018 Sustainable Finance Action Plan, the 2020 Disclosure Guidelines of the European Securities and Markets Authority (ESMA) [3] improved transparency regarding ESG factors in ratings. ESMA's 2022 Trends, Risks and Vulnerabilities (TRV) risk analysis [4] assessed the incorporation of ESG factors in CRA methodologies. On the basis of these findings, the Commission committed itself to taking any further action necessary to ensure that ESG risks are systematically captured in credit ratings and that transparency is enhanced regarding the incorporation of ESG factors in CRA methodologies.

One of the key issues arising from ESMA's assessment, stakeholder consultations and the 2023 impact assessment for the ESG Ratings Regulation [5] concerns inconsistencies in ESG factors' incorporation into credit ratings. These inconsistencies include variations in how rigorously CRAs incorporate ESG factors in creditworthiness assessments, along with differing definitions and variations in the identification of ESG factors across methodologies.

In order to address these issues, the Commission submitted a request for technical advice to ESMA in 2023, seeking its input on amendments to the CRA Regulatory Framework and on how it could be updated in order to ensure a better incorporation of ESG factors in credit rating methodologies. ESMA delivered its final technical advice before the end of 2024 [6].

This Delegated Regulation amends Delegated Regulation (EU) No 447/2012 in order to more rigorously incorporate ESG factors in credit rating methodologies and to set criteria that those methodologies need to meet when incorporating ESG factors in creditworthiness assessments.

This Delegated Regulation amends Delegated Regulation (EU) No 447/2012 in accordance with Article 21(4), third subparagraph, of Regulation (EC) No 1060/2009. This requires ESMA to develop draft regulatory technical standards to specify the assessment of

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1 OJ L 302, 17.11.2009, p. 1, ELI: http://data.europa.eu/eli/reg/2009/1060/oj.

2 Commission Delegated Regulation (EU) No 447/2012 of 21 March 2012 supplementing Regulation (EC) No 1060/2009 of the European Parliament and of the Council on credit rating agencies by laying down regulatory technical standards for the assessment of compliance of credit rating methodologies (OJ L 140, 30.5.2012, p. 14, ELI: http://data.europa.eu/eli/reg_del/2012/447/oj).

3 Guidelines on Disclosure Requirements Applicable to Credit Ratings (ESMA33-9-320).

4 Text mining ESG disclosures in rating agency press releases (ESMA80-195-1352).

5 Commission staff working document, Impact Assessment Report accompanying the document 'Proposal for a Regulation of the European Parliament and of the Council on the transparency and integrity of Environmental, Social and Governance (ESG) rating activities', SWD(2023) 204 final of 13 June 2023.

6 ESMA Technical Advice on Revisions to Commission Delegated Regulation (EU) No 447/2012 and Annex I to the CRA Regulation (ESMA84-2037069784-2196).

compliance of credit rating methodologies with the requirements set out in Article 8(3) of Regulation (EC) No 1060/2009.

This Delegated Regulation aims to enhance traceability on the incorporation of ESG factors in credit rating methodologies where the CRAs consider them relevant in the creditworthiness assessment. In order to ensure compliance with the proposed revisions, CRAs will need to revise their internal processes and, possibly, update their existing methodologies. The level and extent of these costs will depend on the extent to which a CRA has already incorporated ESG factors in its credit rating methodologies. As stated in the technical advice, only a small additional compliance burden is expected as a direct result of the application of the proposed changes. Costs are expected to diminish in the medium and long term through the gradual implementation of the harmonised EU regulatory package on sustainable finance. Moreover, benefits are expected to outweigh the costs because CRAs will benefit from the amendments to Delegated Regulation (EU) No 447/2012 proposed in this Delegated Regulation by gaining greater clarity on ESMA's supervisory expectations in this area.

2. CONSULTATIONS PRIOR TO THE ADOPTION OF THE ACT

ESMA provided input by submitting draft regulatory technical standards to the Commission. This Delegated Regulation is based on those draft regulatory technical standards.

ESMA had earlier conducted open public consultations on those draft regulatory technical standards. It had analysed the potential related costs and benefits; and consulted the European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA). It had also requested the advice of the Securities and Markets Stakeholder Group, which was established in accordance with Article 37 of Regulation (EU) No 1095/2010 of the European Parliament and of the Council[7].

3. LEGAL ELEMENTS OF THE DELEGATED ACT

Article 1 of this Delegated Regulation amends Delegated Regulation (EU) No 447/2012.

Point (1) replaces Article 3, paragraph 2, of Delegated Regulation (EU) No 447/2012 with new text that extends the scope of ESMA's review to encompass the full lifecycle of credit rating methodologies and to clarify that such methodologies must include – where applicable – criteria, models, key assumptions and rating outlooks.

Point (2) replaces Article 4, paragraph 2, of Delegated Regulation (EU) No 447/2012 with new text that strengthens transparency requirements for CRAs by requiring CRAs to disclose in detail all the qualitative and quantitative factors underpinning their methodologies.

Point (2) also replaces Article 4, paragraph 3, of Delegated Regulation (EU) No 447/2012 with new text that requires CRAs to provide detailed explanations in their credit rating methodologies.

Point (3) adds a new paragraph 3 to Article 5 of Delegated Regulation (EU) No 447/2012 that requires credit rating methodologies to be sufficiently detailed and designed to ensure their consistent application when determining credit ratings.

Point (4) makes a minor editorial correction to the introductory wording of Article 6 of Delegated Regulation (EU) No 447/2012.

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[7] Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84, ELI: http://data.europa.eu/eli/reg/2010/1095/oj).

Point (5) adds a new point (e) to Article 7(3) of Delegated Regulation (EU) 447/2012 that requires the validation of a credit rating methodology to be designed to assess input data used for the development of methodologies in terms of their completeness, accuracy and appropriateness.

COMMISSION DELEGATED REGULATION (EU) …/...

of 9.11.2026

amending the regulatory technical standards laid down in Commission Delegated Regulation (EU) No 447/2012 as regards strengthening the transparency and incorporation of environmental, social and governance factors in credit rating methodologies

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies[1] and in particular Article 21(4), third subparagraph, thereof,

Whereas:

(1) To ensure adequate traceability of how environmental, social and governance (ESG) considerations, including – where applicable – ESG risks, have been taken into account by a credit rating agency (CRA) in its credit rating methodologies, as well as to facilitate subsequent public disclosure, in particular where ESG factors are deemed material to the assessment of creditworthiness, such ESG considerations should be documented in the applicable credit rating methodology.

(2) To ensure that CRAs conduct the necessary assessments on ESG considerations, including ESG risks, and to ensure transparency for users of credit ratings on the CRA's conclusions, even in cases where ESG factors are not deemed relevant for the determination of creditworthiness, CRAs should be required to make an explicit reference to such assessments when providing their detailed explanations of credit rating methodologies.

(3) To ensure the consistent assessment of compliance of credit rating methodologies with the requirements set out in Article 8(3) of Regulation (EC) No 1060/2009, it is important to specify that the European Securities and Markets Authority (ESMA) considers a credit rating methodology to be the framework used by a CRA in determining credit ratings and rating outlooks. To that effect, such a methodology may comprise elements such as criteria, models, driving factors and key rating assumptions relevant to the assessment of creditworthiness.

(4) Credit rating methodologies should be designed to enable their systematic application. Those methodologies should therefore provide sufficiently detailed guidance to the persons responsible for their application. Furthermore, it is necessary to specify that the validation of credit rating methodologies should be designed, *inter alia*, to ensure an adequate assessment of the input data used in developing such methodologies.

[1] OJ L 302, 17.11.2009, p. 1 (ELI: http://data.europa.eu/eli/reg/2009/1060/oj).

(5) Regulation (EC) No 1060/2009, as amended by Regulation (EU) No 462/2013 of the European Parliament and of the Council[2], requires credit rating agencies to adopt, implement, and enforce measures ensuring that rating outlooks are based on a thorough analysis of all available and relevant information, in accordance with their applicable methodologies, and to disclose rating outlooks alongside credit ratings, in line with the established and documented procedures and methodologies used to determine both credit ratings and rating outlooks. Consequently, it is necessary to specify that the requirements set out in Commission Delegated Regulation (EU) No 447/2012[3] should also apply, where relevant, to rating outlooks.

(6) Delegated Regulation (EU) No 447/2012 should therefore be amended accordingly.

(7) This Regulation is based on the draft regulatory technical standards submitted by ESMA to the Commission.

(8) ESMA has conducted open public consultations on the draft regulatory technical standards on which this Regulation is based, analysed the potential related costs and benefits, consulted the European Banking Authority and the European Insurance and Occupational Pensions Authority and requested the advice of the Securities and Markets Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1095/2010 of the European Parliament and of the Council[4].

(9) The date of application of this Regulation should be deferred by allowing sufficient time for credit rating agencies to better incorporate environmental, social and governance (ESG) factors into their credit rating methodologies and related public disclosures, and to enhance transparency and credibility in the credit rating process,

HAS ADOPTED THIS REGULATION:

Article 1

Delegated Regulation (EU) No 447/2012 is amended as follows:

(1) in Article 3, paragraph 2 is replaced by the following:

‘2. When examining the compliance of credit rating agencies with the requirements set out in Article 8(3) of Regulation (EC) No 1060/2009, ESMA shall:

(a) use all information relevant to the assessment of the processes for developing, approving, applying, validating and reviewing credit rating methodologies;

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2 Regulation (EU) No 462/2013 of the European Parliament and of the Council of 21 May 2013 amending Regulation (EC) No 1060/2009 on credit rating agencies (OJ L 146, 31.5.2013, p. 1, ELI: http://data.europa.eu/eli/reg/2013/462/oj).

3 Commission Delegated Regulation (EU) No 447/2012 of 21 March 2012 supplementing Regulation (EC) No 1060/2009 of the European Parliament and of the Council on credit rating agencies by laying down regulatory technical standards for the assessment of compliance of credit rating methodologies (OJ L 140, 30.5.2012, p. 14, ELI: http://data.europa.eu/eli/reg_del/2012/447/oj).

4 Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84, ELI: http://data.europa.eu/eli/reg/2010/1095/oj).

(b) consider that a credit rating methodology is the framework used for determining a credit rating, including, where applicable, the criteria, models, driving factors and key rating assumptions relevant to the assessment of creditworthiness;

(c) consider that the requirements applicable to credit ratings apply also to rating outlooks where relevant and according to the applicable credit rating methodologies.'

(2) in Article 4, paragraphs 2 and 3 are replaced by the following:

'2. A credit rating agency shall use and apply credit rating methodologies, which shall comply with all of the following requirements:

(a) list each qualitative factor, including the scope of qualitative judgement applied to that factor;

(b) include, where relevant, the key variables, data sources, key assumptions, modelling and quantitative techniques applicable to the qualitative factors;

(c) list each quantitative factor; and

(d) include the key variables, data sources, key assumptions, modelling and quantitative techniques applicable to the quantitative factors.

3. The information referred to in paragraph 2 shall include a detailed explanation of all the following points:

(a) the importance of each qualitative or quantitative factor used within that credit rating methodology, including, where relevant, a description of, and justification for, any weightings assigned to those factors and their impact on credit ratings;

(b) the assessment of the relationship between the key assumptions used in that credit rating methodology and the critical risk factors derived from macroeconomic or financial data;

(c) the assessment of the relationship between the key assumptions used in a credit rating methodology and the volatility of credit ratings produced by that methodology over time; and

(d) whether and, why environmental, social and governance (ESG) considerations, including ESG risks where applicable, are deemed relevant to the credit rating agency's assessment of creditworthiness, including how such considerations are incorporated in the applicable methodology.'

(3) in Article 5, the following paragraph 3 is added:

'3. A credit rating agency shall use credit rating methodologies that are sufficiently detailed and designed to ensure their consistent application when determining credit ratings.'

(4) in Article 6, the introductory wording is replaced by the following:

'A credit rating agency shall use credit rating methodologies that are designed and implemented in a way that enables them to:';

(5) in Article 7(3), the following new point (e) is added:

‘(e) assess the input data used for the development of methodologies in terms of their completeness, accuracy and appropriateness.’

Article 2

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

It shall apply from [OP: Please insert a date 12 months from the date of its entry into force].

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 9.11.2026

For the Commission
The President
Ursula VON DER LEYEN