

DBG response to the targeted consultation on the functioning of the ESG ratings market in the European Union and on the consideration of ESG factors in credit ratings

Deutsche Börse Group (DBG) appreciates the opportunity to submit a response to the European Commission consultation on the functioning of the ESG ratings market in the European Union and on the consideration of ESG factors in credit ratings. We welcome the Commission's consultation in seeking to clarify emerging issues and reflect on recognized good provider practices and investor needs as you consider policy options. We share your objectives of clarity and transparency and offer policy recommendations for your consideration in our response.

Due to the complementary nature of our businesses within our Group we aim to offer a unique perspective across the consultation:

- as a ESG rating providers through our ESG data, analytics and service provider ISS ESG, the responsible investment arm of Institutional Shareholder Services Inc (ISS) in which we hold a majority stake
- as users of ESG services through our analytics and index provider Qontigo in which we equally hold a majority stake
- as a preparer through our own Group reporting

ISS ESG, the responsible investment arm of ISS, provides institutional investors with comprehensive data, analytics and advisory services to help them understand, measure and manage ESG-related risks and opportunities to achieve their investment objectives.

In addition, as one of the largest providers of market infrastructure worldwide, DBG offer a broad range of products and services. We develop market leading ESG indices and analytics solutions via our subsidiary Qontigo (with its brands STOXX, DAX, Axioma) that is equally a user of ratings and allows us to share specific views from this perspective.

Last but not least, Deutsche Börse AG as a listed company reports ESG information and is subject to ESG ratings itself. We therefore cover the preparer perspective as well. In this regard, it is important to stress that these activities all remain independent and treated separately.

From our unique perspective, we would like to highlight the following key points of our group response:

- Understanding and addressing ESG related risk is core to investment decision-making today. ESG data products and ESG ratings empower investors, companies and other financial market participants to more systematically incorporate ESG factors into their investment decisions and risk management processes. ESG data plays an important role in matching supply and demand for sustainable investment and in facilitating the transition to a more sustainable economy, allowing the optimal allocation of capital to cleaner companies and infrastructures.
- If the Commission deems regulatory intervention warranted, DBG would support a principles-based approach designed to address the areas for improvement identified by

IOSCO in its final report on ESG ratings and data products providers and the study on sustainability-related ratings, data and research. The principles should prioritize good internal governance, transparency of methodology and ratings' objectives, conflicts of interest management, quality management, and safeguard the independence of ratings and ESG research generally. The disclosure should focus on process, not outcomes; facilitate clarity and transparency; and steer away from, and should not require, standardization of methodologies.

- We encourage policymakers to also consider that the market for ESG ratings and assessments is complex and still developing. As such, any regulatory action in this area needs to be carefully calibrated to encourage evolution of and innovation in the ESG ratings market while considering the diverse uses and users of ESG ratings.
- Quality ESG data is the lifeblood of ESG investment analysis. We therefore welcome global and regional efforts by regulators to improve the reliability, consistency, and comparability of corporate ESG standards and disclosures. These efforts will help increase the availability and quality of ESG data, and by extension will enhance market confidence in ESG ratings and data products. We are also encouraged by EU regulators' efforts to provide more clarity around what constitutes an environmentally sustainable economic activity.

We hope that our feedback to the consultation will prove useful to you and remain at your disposal for further information.

Kind regards,

Deutsche Börse Group