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ESG ratings are considered to play an increasingly important role in EU financial markets. By enabling informed investment decisions and risk management, they can help strengthen investor confidence in channeling capital towards sustainable activities in line with the EU's sustainability objectives[1]. To support these objectives, Regulation (EU) 2024/3005 of the European Parliament and of the Council of 27 November 2024 on the transparency and integrity of Environmental, Social and Governance (ESG) rating activities (the "ESG Ratings Regulation") has applied since 2 July 2026.[2] It establishes an EU framework for ESG rating activities, including the authorization, governance, transparency and supervision of ESG rating providers by the European Securities and Markets Authority (ESMA). It forms part of the EU Sustainable Finance Framework, alongside the Taxonomy Regulation[3], SFDR[4], and CSRD[5].[6]

1. Regulatory importance of the ESG Ratings Regulation

The ESG Ratings Regulation establishes a common regulatory framework aimed at enhancing the integrity, transparency, comparability where possible, responsibility, reliability, good governance and independence of ESG rating activities, thereby contributing to the quality of ESG ratings, the prevention of greenwashing and other forms of misinformation, and the broader EU sustainable finance framework.

The Regulation seeks to strengthen market confidence and investor protection through binding governance, organizational and transparency requirements and the supervision of ESG rating providers by ESMA. At the same time, it does not seek to harmonize ESG rating methodologies or outcomes: ESG rating providers remain responsible for their methodological choices, and ESMA, the Commission and Member State public authorities may not interfere with the content of ESG ratings or methodologies when carrying out their duties under the Regulation.

2. Scope of the ESG Ratings Regulation

The ESG Ratings Regulation defines an ESG rating as *"an opinion or a score, or a combination of both, regarding a rated item's profile or characteristics with regard to environmental, social and human rights, or governance factors, or regarding a rated item's exposure to risks or impact on environmental, social and human rights, or governance factors, that is based on both an established methodology and a defined ranking system of rating categories, irrespective of whether such ESG rating is labelled as 'ESG rating', 'ESG opinion' or 'ESG score'"*.[7]

[1] Cf. rec. 10 and 11 of the ESG Rating Regulation.
[2] Available at: https://eurlex.europa.eu/eli/reg/2024/3005/oj/eng.
[3] Available at: https://eurlex.europa.eu/eli/reg/2020/852/oj/eng.
[4] Available at: https://eur-lex.europa.eu/eli/reg/2019/2088/oj/eng.
[5] Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02022L2464-20260318.
[6] For an overview of the EU Sustainable Finance Framework, see at: https://finance.ec.europa.eu/sustainable-finance/overview-sustainable-finance_en.
[7] See in more detail art. 3(1) – (3) of the ESG Rating Regulation.

Subject to the temporary regime for qualifying small providers, a legal person wishing to operate as an ESG rating provider in the EU must use the applicable authorization, equivalence or recognition route. Scope depends on where and how ratings are published or distributed. Exclusions include certain private and internal ratings and the publication or distribution of ESG data that do not constitute a rating.[8]

3. Authorization and operational requirements

EU-established ESG rating providers generally require ESMA authorization, which once obtained is effective throughout the EU. At the same time, the ESG Ratings Regulation introduces proportionate registration and operational/governance requirements for entities qualifying as small ESG rating providers. These may instead register under a temporary regime lasting up to three years, ending earlier if they cease to qualify as small. When the temporary regime ends, they become subject to the Regulation in full and must apply for authorization within six months.[9]

ESG rating providers established outside the EU are subject to equivalence, endorsement or recognition in order to be able to operate in the EU.

Both for the purposes of obtaining authorization and on an ongoing basis thereafter, ESG rating providers are subject to a comprehensive set of organizational, procedural and methodological requirements aimed at safeguarding the independence, integrity and quality of their ESG rating activities. In particular, they are required to maintain adequate and effective systems, resources and procedures, sound administrative and accounting procedures and internal control mechanisms, and a permanent, independent and effective oversight function, as well as to apply rigorous, systematic, independent and justifiable rating methodologies. Such methodologies must be reviewed on an ongoing basis and at least annually, subject to the exemptions provided for in the ESG Ratings Regulation. The ESG Ratings Regulation also lays down requirements concerning record-keeping, complaints and concerns, outsourcing and the notification of rated items or issuers of rated items during working hours and at least two full working days before the first issuance of an ESG rating.[10]

4. Transparency and conflicts of interest

Transparency of rating methodologies and the prevention of conflicts of interest are central to the Regulation's framework for enhancing the integrity and reliability of ESG ratings. ESG rating providers are subject to transparency requirements regarding the methodologies, models, assumptions and data sources underlying their ESG ratings. Rather than prescribing a uniform methodology, the ESG Ratings Regulation seeks to ensure that market participants have sufficient insight into how ESG ratings are developed.

From 1 January 2028, certain public information referred to in ESG Ratings Regulation must also be submitted to ESMA as the relevant collection body for the purpose of making it accessible through the European Single Access Point (ESAP).

The Regulation also establishes a comprehensive framework for the prevention and management of conflicts of interest. ESG rating providers must establish and operate policies, procedures and effective organizational arrangements to identify, disclose, prevent, manage and mitigate existing and potential conflicts of interest and must review their operations for potential conflicts at least annually. Certain activities, including consulting, the issuance and distribution of credit ratings, statutory audit and sustainability assurance activities, shall not be provided by the ESG rating provider. By contrast, investment services and activities, as well as banking and insurance or reinsurance activities, may be provided subject to specific organizational

[8] ESG Ratings Regulation, Articles 2, 4 and 5. The exclusions are subject to their statutory conditions, including the limits on private distribution and internal use by regulated financial undertakings. For the different third-country routes, see Articles 10–12.

[9] ESG Ratings Regulation, Article 5, particularly paragraph 3 (end of the temporary regime and subsequent authorization application).

[10] ESG Ratings Regulation, Article 15 (advance notification during working hours and at least two full working days before first issuance).

safeguards designed to ensure the autonomy of the respective activities and prevent conflicts of interest. The provision of benchmarks is permissible only upon authorization by ESMA and subject to appropriate safeguards.

5. ESMA supervision and transitional provisions

Authorization and direct supervision of ESG rating providers are entrusted to ESMA. The authorization process is set out in the ESG Ratings Regulation and further specified at Level 2.[11] ESMA is granted extensive supervisory and enforcement powers, including the power to request information, conduct investigations and on-site inspections, require infringements to be brought to an end, suspend or withdraw an authorization or recognition, temporarily prohibit the publication or distribution of ESG ratings, and impose fines and periodic penalty payments. National competent authorities may cooperate with and assist ESMA and may carry out specific investigatory tasks and on-site inspections on its behalf, while ESMA retains overall supervisory responsibility.

Implementation of the ESG Ratings Regulation is already underway. ESG rating providers that were operating in the EU when the Regulation entered into force and wish to continue doing so were required, unless covered by the small-provider derogation, to notify ESMA by 2 August 2026 and to apply for authorization or recognition by 2 November 2026. Following timely notification and application, such providers may continue operating in the EU pending ESMA's decision. Existing qualifying small ESG rating providers had a separate notification deadline of 2 November 2026. These deadlines have now passed.[12]

6. Practical implications

Directly applicable in Greece, the ESG Ratings Regulation introduces an EU-wide regulatory framework for ESG ratings. ESG rating providers should assess whether they are subject to authorization, registration or a third-country regime, while users of ESG ratings should verify their provider's regulatory status and consider the methodologies and limitations of the ratings they use. Financial institutions producing their own ratings should also check any disclosure obligations triggered by their use in marketing communications. Rated companies should use advance notification to check factual inputs.[13]

What does this mean for your business? If you produce ESG scores, use third-party ratings or refer to ratings in client materials, you may wish to discuss the implications for your activities. Please contact the authors or your usual contact at our firm to discuss scope, available exclusions or practical next steps.

[11] See Commission Delegated Regulation (EU) 2026/1119 of 26 May 2026 supplementing Regulation (EU) 2024/3005 of the European Parliament and of the Council with regard to regulatory technical standards specifying the information to be included in the application for authorization as an ESG rating provider and in the application for recognition of an ESG rating provider. Available at: https://eur-lex.europa.eu/eli/reg_del/2026/1119/oj/eng.

[12] ESG Ratings Regulation, Article 51(1)–(3); ESMA Q&A 2854. The four-month application period from 2 July 2026 ended on 2 November 2026. The 2 August notification date is stated as specified in Article 51(1).

[13] ESG Ratings Regulation, Article 2(2)(c) and Article 49, inserting SFDR Article 13(3) (marketing disclosures), and Article 15 (first-issuance notification).

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