

SEBI Clarifies ESG Rating Norms for ERPs

The Securities and Exchange Board of India (SEBI) vide its **Circular No. SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/59 dated April 29, 2025**, has released a detailed procedural clarifications and updates to strengthen ESG Rating Providers (ERPs). This circular refines the withdrawal process for ESG ratings.

For subscriber-pays ERPs, ratings can be withdrawn if no subscribers exist, except for bundled ratings (e.g., indices like Nifty 50), and may also be withdrawn if the issuer lacks a BRSR.

For issuer-pays ERPs, ratings of securities may be withdrawn after three years or half the tenure of the security (whichever is higher), with NOC from 75% of bondholders; issuer/entity ratings may be withdrawn after three years.

Regarding disclosures, subscriber-pays ERPs must publicly disclose assigned ratings in a specific format but may limit rating rationale access to subscribers. Stock exchanges must also display ESG ratings under a designated section for listed entities or securities.

The internal audit requirement for Category II ERPs is deferred for two years, and audit eligibility is expanded to include ICAI qualifications (ACMA/FCMA and DISSA). Governance provisions, including forming an ESG Ratings Sub-Committee and a Nomination and Remuneration Committee, are also deferred for Category II ERPs for two years.

The circular, effective immediately, also provides a standard format for rated entities to respond to rating rationales and defines confidentiality boundaries to protect proprietary ERP methodologies.

Link - https://www.sebi.gov.in/legal/circulars/apr-2025/clarificatory-and-procedural-changes-to-aid-and-strengthen-esg-rating-providers-erps-_93704.html