

FEEDBACK ON THE EC'S GREEN BOND STANDARD PROPOSAL

Our key concern with green bonds regards the risk of greenwashing, especially now that financial markets show strong interest in expanding their portfolio with green assets. We welcome the European Commission's (EC) proposal for an EU Green Bond Standard (EU GBS) that introduces requirements aiming at reducing uncertainties for issuers and investors and bringing credibility to the green bond market.

Firstly, the requirement for the funds raised by the green bond to be allocated fully to the EU Taxonomy-aligned projects will help reduce uncertainty as to what should be considered green. It will also provide clear guidance to issuers on how to structure a green bond issuance.

We also welcome detailed reporting requirements to ensure full transparency on how the bond proceeds are allocated. Reporting on green bonds should be done at regular intervals during the life of the bond and projects invested in, at least annually after all funds have been allocated to green projects. Investors and other stakeholders need to be able to trust that the funded projects produce the expected environmental benefits to ensure that green bonds are credible in the long run. Regular reporting will ensure information's continuity on the portfolio's size and the related environmental impact to the market.

Moreover, we support the EC's proposal for all European green bonds to be checked by an external reviewer to ensure compliance with the Regulation on European green bonds and Taxonomy alignment of the funded projects. Investors need to be able to trust the information provided by issuers, especially when it comes to the allocation of proceeds and the bond's environmental impact. Obtaining independent third-party assurance on various aspects, including on the allocation reports, but also on the environmental reports, could help enhance investors' confidence further and ensure that green bonds deliver on the EC's ambitions.

The EC's proposal includes a requirement for external reviewers providing services to issuers of European green bonds to register with ESMA. It is expected that external reviewers would be supervised by ESMA. We fully agree that a centralised European accreditation system is important to decrease market uncertainty and create a level playing field for the consistency and quality of the services provided. We note that certain EU Member States already have well established accreditation systems for third-party independent assurance providers. A European solution should build upon these. The schemes in place for audit services, taking into account the public interest, already provide a suitable model ensuring that the quality of the review is safeguarded.

Service providers should be formally accredited to ensure their independence, competence and create certainty on the delineation of the responsibilities when assessing compliance with the EU GBS. Equally, such a system should ensure that service providers have appropriate quality control mechanisms and processes to ensure ethics and independence in place to provide high quality assurance. We stress the importance of the ethical dimension for the quality of the services provided. Thus, we encourage ESMA to consider ethical principles and rules in the development of the technical standards.

All service providers should comply with equivalent professional standards, thus strengthening investors' confidence in the reliability of the assurance reports they receive. As proposed, there is no consensus as to what procedures or methodologies used by external reviewers should entail. This might result in inconsistent work effort and quality of services if there is no standardised approach for service providers to consistently apply. It is unclear what the terms used in the proposal would entail in practical terms, such as positive/negative opinion or (detailed) assessment.

See Accountancy Europe's publication for the accountancy profession's views on building a credible green bond market.