

Reply form

on the Consultation Paper on technical standards on the European Green Bonds Regulation

Responding to this paper

ESMA invites comments on all matters in this consultation paper and in particular on the specific questions. Comments are most helpful if they:

- respond to the question stated;
- indicate the specific question to which the comment relates;
- contain a clear rationale; and
- describe any alternatives ESMA should consider.

ESMA will consider all comments received by **14 June 2024**.

Instructions

In order to facilitate analysis of responses to the Consultation Paper, respondents are requested to follow the below steps when preparing and submitting their response:

1. Insert your responses to the questions in the Consultation Paper in the present response form.
2. Use this form and send your responses in Word format (**pdf documents will not be considered except for annexes**);
3. Please do not remove tags of the type <ESMA_QUESTION_EUGB_1>. Your response to each question has to be framed by the two tags corresponding to the question.
4. If you do not wish to respond to a given question, please do not delete it but simply leave the text "TYPE YOUR TEXT HERE" between the tags.
5. When you have drafted your response, name your response form according to the following convention: ESMA_EUGB_nameofrespondent_RESPONSEFORM. For example, for a respondent named ABCD, the response form would be entitled ESMA_EUGB_ABCD_RESPONSEFORM.
6. Upload the form containing your responses, **in Word format**, to ESMA's website (www.esma.europa.eu under the heading "Your input – Open Consultations" -> Consultation Paper on technical standards on the European Green Bonds Regulation").

Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise. Please clearly and prominently indicate in your submission any part you do not wish to be publically disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESMA's rules on access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESMA's Board of Appeal and the European Ombudsman.

Data protection

Information on data protection can be found at www.esma.europa.eu under the heading [Legal Notice](#).

Who should read this paper

All interested stakeholders are invited to respond to this consultation paper. In particular, ESMA invites entities that intend to apply for registration as external reviewers, second party opinion providers, issuers, issuer associations and financial market participants who have or intend to issue or invest in green bonds or sustainability-linked bonds.

General information about respondent

Name of the company / organisation	Accountancy Europe
Activity	Audit/Legal/Individual
Are you representing an association?	<input checked="" type="checkbox"/>
Country/Region	Belgium

Questions

Q1 Do you agree with ESMA's proposals to specify the criteria to assess the sufficiently good repute, skill, professional qualifications and experience of senior management and members of the board of an external reviewer?

<ESMA_QUESTION_EUGB_1>

We welcome ESMA's proposal for the technical regulatory standards on registration and supervision of the EU green bonds external verifiers.

In our [position paper](#) *Building a credible green bond market*, we advocated for setting up a centralised European accreditation system for external assessment to ensure a level playing field amongst different EU green bond verifiers. Such accreditation system, however, should be able to accommodate already existing (national) accreditation schemes and processes. Indeed, EU Member States already have well established accreditation systems for third-party independent assurance providers.

The accountancy profession, for instance, is regulated at European level and required to comply with competence and quality, ethical, incl. independence, requirements in order to provide assurance services. The Audit Directive 2006/43/EC explicitly outlines requirements related to good repute, qualifications and experience (Chapter II Approval, continuing education and mutual recognition, Art 4 Good repute, Art 6 Educational qualifications, Art 10 Practical training). Such requirements are also embedded in the IESBA International Code of Ethics and the IAASB International Standard on Quality Management (ISQM1) which are applied in practice. Auditors are also subject to public oversight at national level across the EU. We would, therefore, suggest acknowledging and leveraging existing accreditation systems and evaluating whether the applicant already complies with the proposed necessary criteria where an external reviewer applicant is a member of an existing governing body with European recognition. Similarly, there may be other professional services providers that should also be recognised for similar reasons.

Furthermore, we agree that the senior management's and board's qualities assessment should be based on specific criteria. We would suggest, however, that criteria should apply to the organisation as a whole rather than at the level of individuals (i.e. a tick-the-box approach). We have seen the latter failing in similar circumstances for the UNFCCC-related accreditations.

We support the proposals, noting that the external reviewer activities should be considered in the wider organisation context that those activities can be part of and their relative size/contribution amongst others.

It is also important to note that the green bond market size is expected to be rather small, especially in certain EU Member States. This should be also taken into account when designing criteria for registration and supervision of external reviewers to ensure access to the market for smaller players.

<ESMA_QUESTION_EUGB_1>

Q2 Do you agree with ESMA’s proposals to specify the criteria to assess the sufficiency of the number of analysts, employees and persons directly involved in the assessment activities and of their level of knowledge, experience and training?

<ESMA_QUESTION_ EUGB_2>We agree with further criteria to assess the level of knowledge, experience and training for the collectivity of the analysts/employees/persons involved in the assessment activities.

The Audit Directive 2006/43/EC sets out requirements for establishing appropriate policies and procedures to ensure that auditors directly involved in the statutory audit activities have appropriate knowledge and experience to fulfill the assigned responsibilities. It is also required to have quality control or quality management system in place to ensure the quality of services provided. The audit profession abides by the IAASB ISQM1 requirements, including that the sufficiency of staff and their knowledge level, experience, and training is also assessed.

We would like to emphasize though that the sufficiency of the number of analysts directly involved in assessment activities should be considered in context of the size of the activities of the company in the space of green bonds and the collectivity of the capabilities of persons involved (rather than assessing these separately for each individual verifier). Accreditation should be based on the existence of a processes at the firm level to ensure that the engagements are conducted with sufficient competence and quality.

ESMA does not specify what can be considered as a sufficient number of analysts or what can be considered as sufficient knowledge and so on. It would be helpful to clarify how ESMA plans to assess this.

<ESMA_QUESTION_ EUGB_2>

Q3 Do you agree with ESMA’s proposals to specify the criteria to assess the sound and prudent management of the external reviewer?

<ESMA_QUESTION_ EUGB_3>

We agree that the interpretation of sound and prudent management should be further specified by means of more detailed criteria. We note, however, that the corporate governance and internal controls frameworks can vary significantly due to the nature and corporate or other entity structure of the companies involved. The review should, therefore, take into account the structure and circumstances of the entity.

The requirement to provide detailed information on every single member of senior management and board seems too broad. It should be differentiated between the senior manager(s) and board member(s) that are responsible for supervising the external review work and those who are not. It would be sufficient to determine the suitability of management by requiring information only on the senior manager(s) and board member(s) specifically involved in the supervision of the external review.

<ESMA_QUESTION_ EUGB_3>

Q4 Do you agree with ESMA’s proposals to specify the criteria to assess that any actual or potential conflicts of interest are properly identified, eliminated or managed, and disclosed in a transparent manner by the external reviewer?

<ESMA_QUESTION_ EUGB_4>

We agree that independence is of the essence in verifying green bonds. As well as other requirements, this necessitates a clear segregation between advisory and external review engagement as well as avoiding independence breaches at the company level by (global as applicable) client and engagement acceptance procedures. Also, we would suggest taking into account the specific circumstances (including the wider market position) of the reviewers’ company. In this context, we believe that the wider system of client and engagement acceptance and relatedly the split between personal independence and independence at the company level is key to ESMA’s proposals.

It seems that ESMA’s focus is on the individual level. In practice, there are systems in place to ensure independence at organisational level meaning that advisory services cannot be provided when providing assurance to the same client. Independence at individual level is also important to ensure there are no links to the company. We would like to note that registered auditors have systems and processes in place for independence as per Audit Directive 2006/43/EC and Audit Regulation (EU) no 537/2014.

The request for a list of conflicts of interests seems overly broad and the requirement to disclose board meeting minutes raises practical and confidentiality concerns. It is not clear how an external reviewer should comply with this requirement as potential conflicts of interest arise on an engagement-by-engagement basis.

The necessity of certain information requests should carefully be considered. For instance, ‘disaster-recovery record keeping’ may be more applicable to financial institutions. It would be preferable to align the information requirements with the specific objectives of the EU Green Bond Regulation.]

<ESMA_QUESTION_ EUGB_4>

Q5 Do you agree with ESMA’s proposals to specify the criteria for assessing the appropriateness of the knowledge, experience and training of the persons referred to in Article 28(1)?

<ESMA_QUESTION_ EUGB_5>

We agree with monitoring the appropriate level of knowledge, experience and training of the persons involved in assessments. However, we suggest this should reflect the nature of the organisation and should take into account collective knowledge and experience rather than of each individual. The request for information on the entire engagement team, including junior analysts, raises practical challenges and potential privacy concerns. Usually, the auditors would bring in expertise once assignments come along and as per assignment needs. We suggest focusing on disclosing the individual

responsible for issuing the review, along with their professional qualification(s). Such an approach would be in line with emerging practice, for instance, in audit and assurance. Additional details of personnel involved in the review could be provided upon request or through a separate, non-public reporting mechanism. In this context, an annual assessment of the criteria and sign-off by the highest management might not be needed, as this is not common practice. This should happen at the “right level” of highest management which at times can be the lead of a department or similar.

Also, once external reviewers have gained sufficient experience and knowledge in the field, a system to ensure sufficient ongoing professional development is undertaken by qualified staff would be more appropriate than a full reassessment every year. For instance, the Audit Directive 2006/43/EC requires statutory auditors to take part in appropriate programmes of continuing education in order to maintain their knowledge, professional skills etc. |

<ESMA_QUESTION_EUGB_5>

Q6 Do you agree with ESMA’s proposals to specify the criteria for assessing the reliability and capacity of a third-party service provider?

<ESMA_QUESTION_EUGB_6>

| We would like to note that involving experts supports the quality of services performed. However, the proposed criteria seem to be very onerous and could result in burdensome and bureaucratic processes. Also, assessing a third-party service provider on an annual basis might not be necessary considering that this is likely to be a long-term relationship.

We would suggest reviewing and limiting the criteria applied in order to keep this process manageable. If the external reviewer ultimately will remain responsible for the outcomes of assessments, this will provide a quality control safeguards for third-party service providers. Also, a process to review the work of the third-party service provider should be in place and would serve as an additional safeguard.

For instance, the accountancy profession is subject to quality standards which already deal with using an expert (or third-party service provider) in assurance engagements. If the auditor plans to use the work of a expert, the practitioner shall evaluate the expert’s capabilities, objectivity and whether the expert has the necessary competence for the purpose of the assessment.

The auditor’s responsibility over the engagement and signing off the assurance report, even where third-party providers or experts are used, is set out in the international standards, for instance:

- Fundamental principles of the Code of Ethics (Articles 7 and 10);
- ISQM1 (paragraph 32).

It would be also helpful to clarify the definition of third party service providers. For instance, if external reviewers were to use a delivery center within its network to outsource certain assessment activities, it would be helpful to understand whether the delivery center would be considered internal or a third-party service provider. |

<ESMA_QUESTION_EUGB_6>

Q7 Do you agree with ESMA’s proposals to specify the criteria for assessing that the internal control of an external reviewer is not materially impaired and ESMA’s ability to supervise is not limited?

<ESMA_QUESTION_ EUGB_7>

[We refer to our response to question 6]

<ESMA_QUESTION_ EUGB_7>

Q8 Do you agree with the practicality and efficiency of ESMA’s proposals to specify the standard forms, templates and procedures for the provision of the information for an application for registration as an external reviewer?

<ESMA_QUESTION_ EUGB_8>

[We consider that forms are clear, but those forms request information and records that are far too detailed considering that certain external reviewers (i.e. audit profession) might already have other systems in place to avoid conflicts or interests, criminal board members etc. The assessment should focus much more on the processes in place at a high level rather than asking detailed questions and to provide detailed documentation.

Besides, it is not clear how ESMA intends to ensure consistency of information for each individual analyst or employee. The frequency to update the lists of individuals is not clear either.

We note, however, that these questions as outlined can be relevant if an external reviewer is registering to provide green bond verification only, but not if the external reviewer is already part of a broader system.]

<ESMA_QUESTION_ EUGB_8>

Q9 Do you have any views or comments on the relevance of the information contained in Annex I to VII of the draft ITS?

<ESMA_QUESTION_ EUGB_9>

[See our answer to question 8.]

<ESMA_QUESTION_ EUGB_9>

Q10 Do you have any comments on the CBA or impact assessments outlined under the preferred option?

<ESMA_QUESTION_ EUGB_10>

[No comments]

<ESMA_QUESTION_ EUGB_10>

Q11 Do you have any quantitative information to provide on the estimated costs of the options considered and proposed by ESMA that would benefit the analysis?

<ESMA_QUESTION_ EUGB_11>

[TYPE YOUR TEXT HERE]

<ESMA_QUESTION_ EUGB_11>