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| Reply form  on the Consultation Paper on technical standards on the European Green Bonds Regulation |
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**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](http://www.esma.europa.eu) under the heading [Legal Notice](http://www.esma.europa.eu/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**

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| --- | --- |
| Name of the company / organisation | Det Norske Veritas (DNV) |
| Activity | Other Financial service providers |
| Are you representing an association? |  |
| Country/Region | Europe |

**Questions**

1. **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 agree with the action to “specify” the criteria when it comes to defining the expertise for the core analysts and project sign off.

Stretching this to the Board Level, i.e. having Sustainable Finance experience and expertise, is too stringent. The Board does not need to have the same level of experience in undertaking technical assessments and verifying Green Bonds as analysts. Their role should be limited to approving commercial offerings, and in the identification of any potential risks associated with the assessment methodology/protocol.

<ESMA\_QUESTION\_EUGB\_1>

1. **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 “specifying” the criteria to assess an analyst's experience, training and level of knowledge, for undertaking an external review of European Green Bonds.

Given the nature of the business, we do not suggest that ESMA defines the number of people to be involved in the assessment process. It is very hard to predict an accurate expected number of analysts, employees and people directly involved in the assessment activities. We anticipate this will fluctuate on a case-by-case basis, e.g. it will depend on the number of factsheets or transaction reviews required, timelines for delivery, the number and complexity of the Use of Proceeds for assessment, and other factors. The number of persons directly involved in the assessment process should be up to the external reviewer to determine.

<ESMA\_QUESTION\_ EUGB\_2>

1. **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 with ESMA’s proposals and believe that the implementation of robust organizational and corporate governance arrangements, and internal control mechanisms, are essential for the sound and prudent management of an external reviewer. An external reviewer should transparently provide detailed information of their organizational structure, arrangements, and internal control mechanisms/measures of their practices.

<ESMA\_QUESTION\_ EUGB\_3>

1. **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 an external reviewer should provide detailed information of their internal control mechanisms in place to avoid conflicts of interest. This should include a detailed description of how they handle potential conflicts of interest, tailored to the specific role of an external reviewer, which can be assessed by ESMA.

<ESMA\_QUESTION\_ EUGB\_4>

1. **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>

Generally, we agree with the prescriptions as included in Annex II (section 9.1.3). However, we believe that it can be hard to provide an accurate estimation of the specific types of issuances, issuers and assessment activities that will happen in the future. We would suggest that ESMA reconsiders paragraph 1.a) of Article 3, and ESMA considers the following as a proposed alternative: “a) an explanation of how the workforce is equipped for the different types of issuances, issuers and assessment activities that might be provided in the forthcoming 12-month period”.

<ESMA\_QUESTION\_ EUGB\_5>

1. **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>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_ EUGB\_6>

1. **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>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_ EUGB\_7>

1. **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>

On principal, we agree with ESMA’s proposals.

<ESMA\_QUESTION\_ EUGB\_8>

1. **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>

We suggest that ESMA removes the expected number of assessments to be allocated in the next 12 months on an FTE basis under Annex III. Given the nature of the business, it is very hard to predict an accurate expected number of assessments to be allocated in the next 12 months per employee, or overall.

<ESMA\_QUESTION\_ EUGB\_9>

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

<ESMA\_QUESTION\_ EUGB\_10>

Having spoken to prospective issuers and banks, and in our capacity as an SPO provider, the EUGB label could be appealing to energy, water and utility companies. ESMA should provide oversight of the External Reviewer register.

On the other hand, it should be aware that if too many restrictions are put on the external reviewer with regards to how they undertake their technical assessments, i.e. how they evaluate use of proceeds for different sectors, it may close the door on the number of external verifiers wanting to register with ESMA. External Reviewers need to be entrusted due to their ESG expertise to review and guide where necessary.

ESMA’s role should therefore be limited to reviewing each External Reviewer’s proposed Assessment Protocol, consolidate and feedback, while allowing for external reviewers to adopt slightly different techniques for conducting their technical reviews.

Given the clarity and specificity of the regulation and the guidance in the Annexes, we anticipate that there will be no substantial variation in the approaches used by each issuer. The variation in approaches promotes greater competition and access to providers by potential issuers coming forward for the EUGB label, while also encouraging different technical assessments, ultimately improving the practicality, efficiency and impact of the reviewing of the Bonds.

<ESMA\_QUESTION\_ EUGB\_10>

1. **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>

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<ESMA\_QUESTION\_ EUGB\_11>