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| Reply form for the Consultation Paper on technical standards on the European Green Bond 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 **30 May 2025.**

**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 encourages entities that intend to apply for registration as external reviewers of European Green Bonds, as well as financial market participants who have or intend to issue or invest in green bonds or sustainability-linked bonds, to participate.

**General information about respondent**

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| --- | --- |
| Name of the company / organisation | Institut der Wirtschaftsprüfer in Deutschland e.V. [Institute of Public Auditors in Germany, Incorporated Association] (IDW) |
| Activity | Audit/Legal/Individual |
| Are you representing an association? |[x]
| Country/Region | Germany |

**Questions**

1. **Do you agree with ESMA’s proposals for the assessment of the appropriateness, adequacy and effectiveness of systems, resources and procedures?**

<ESMA\_QUESTION\_EUGB\_1>

In principle, we welcome ESMA’s proposals, as they ensure a level playing field and a high level of quality of the external reviewers.

Audit firms are working in a highly regulated environment and already meet high compliance standards and strict independence requirements for providing assurance. The International Standards on Quality Management (ISQMs) set very strict rules for providing assurance services.

In Germany, statutory auditors are subject to supervision by the Wirtschaftsprüferkammer (WPK) and the Auditor Oversight Body (AOB) (Please refer to https://www.wpk.de/eng/wpk/disciplinary-oversight/ for more details). Audit firms that provide any assurance or related services must maintain a quality management system based on the above mentioned and worldwide accepted requirements, which is also monitored (Please refer to https://www.wpk.de/eng/wpk/quality-assurance/ for more details).

In our view ESMA’s proposal does not consider that there are already requirements for statutory auditors to establish a quality management system and that some reviewers are subject to public oversight.

To avoid unnecessary bureaucracy and duplication of supervision, we suggest evaluating whether and how existing requirements for quality management systems as well as existing public oversight can be leveraged by ESMA to assess reviewers’ systems, resources and procedures.

Article 1 (c) of RTS 10.1 specifies the procedures that are in place for the effective application of assessment methodologies, including for the assessment of the sufficient quality of information and reliability of sources. According to Article 1 (c) i), these procedures include steps to collect qualitative and quantitative information for the performance of the assessment activities, including from the issuer or originator, public sources and information provided by third parties. We are unsure how to understand this requirement. If this can be understood as a requirement for the external reviewer to obtain direct access to costly third parties information sources /databases or maintain their own information sources and keep them up to date, this requirement would cause additional costs and complexity.

Instead, the audit profession provides audit evidence for financial information based on the auditing standards issued by the International Auditing and Assurance Standard Board (IAASB). In November 2024, the International Standard on Sustainability Assurance (ISSA 5000) was certified by the Public Interest Oversight Board and has to be applied for assurance engagements relating to reporting periods beginning after December 15, 2026. Audit & Assurance standards used by the audit profession already include procedures for gathering evidence on the information provided by external parties and used by the client while preparing reporting. This methodology does not require practitioners to collect third party information and to obtain access costly external information sources /databases or set-up their own information sources / databases. We suggest that the focus should be on the procedures for gathering evidence on the information provided by external parties and used by the client.

<ESMA\_QUESTION\_EUGB\_1>

1. **Do you agree with ESMA’s proposals for the assessment of whether the compliance function has the authority to discharge its responsibilities properly and independently, the necessary resources and expertise and access to all relevant information?**

<ESMA\_QUESTION\_ EUGB\_2>

We agree that external reviewer needs to design, implement and operate a system of quality management covering external reviews. The auditing profession is subject to various regulations (please refer to our overarching comments under question 1). In our view, there are no apparent reasons, why the requirements for external reviewers of the EU-GBs should go beyond those for the annual financial statement audit. For example, ISQM 1.20 requires each firm to assign ultimate responsibility and accountability for the system of quality management to the firm’s chief executive officer or the firm’s managing partner (or equivalent) or, if appropriate, the firm’s managing board of partners (or equivalent). But there is no specific requirement for the integration of at least one of the members of the compliance function to senior management of an audit firm. We propose aligning the criteria for the compliance function to general requirements of ISQM 1.

<ESMA\_QUESTION\_ EUGB\_2>

1. **Do you agree with ESMA’s proposals for the assessment of the soundness of administrative and accounting procedures and of internal control mechanisms and the effectiveness of control and safeguard arrangements for information processing systems?**

<ESMA\_QUESTION\_ EUGB\_3>

Article 3 of draft RTS 10.1.3 requires implementation of a control and safeguard structure that ensures an effective and prudent management of ICT risks. Paragraph 29 of the consultation document states that an external reviewer should ensure the implementation of a control framework for ICT risk management that includes regular IT and information security assessments, business continuity testing and third-party risk assessments, in line with the minimum requirements of Regulation (EU) 2022/2554 (DORA). However, the DORA requirements do not apply to statutory auditors so far. Currently this requirement therefore goes beyond the requirements for statutory auditors under Directive 2006/43/EC. Whether statutory auditors should be included in the scope of DORA will be subject of a consultation by the ESAs (see DORA Article 58 (3)). In our view, there should be consistency between the requirements for external reviewers and statutory auditors, i.e., if no relevant obligations are imposed on statutory auditors, they should not apply to external reviewers either.

<ESMA\_QUESTION\_ EUGB\_3>

1. **Do you agree with ESMA’s proposals to specify the criteria to assess whether the information used when providing reviews is of sufficient quality and from reliable sources?**

<ESMA\_QUESTION\_ EUGB\_4>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_ EUGB\_4>

1. **Do you agree with ESMA’s proposals to specify the information, form and content of applications for recognition?**

<ESMA\_QUESTION\_ EUGB\_5>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_ EUGB\_5>

1. **Do you agree with ESMA’s proposals to specify the standard forms, templates and procedures to notify ESMA of material changes in the information provided at registration?**

<ESMA\_QUESTION\_ EUGB\_6>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_ EUGB\_6>

1. **Do you have comments or quantitative information to provide on the CBA and options considered by ESMA?**

<ESMA\_QUESTION\_ EUGB\_7>

We support the approach chosen by ESMA, which is based on Option 2 as described in Chapter 10.2 of the consultation document. However, it should be considered that obligations related to the quality management system of providers of assurance services for sustainability information and their ethical behaviour are already part of ISSA 5000, the ISQMs and Ethics and Independence Rules for Sustainability Reporting (IESSA) (refer to question 1 for further details), which have to be applied for assurance engagements relating to reporting periods beginning after December 15, 2026. These standards and regulations are developed by independent international bodies to provide high quality assurance engagements. We strongly recommend that the proposed RTS do not set requirements which go beyond the existing requirements for providers of assurance services on the sustainability information. Otherwise, ESMA would create additional cost for the assurance of green bond reporting, which, in our opinion, cannot be justified when compared to other assurance engagements (e.g. financial statements or sustainability reports).

That being said, in our view, ESMA’s proposal does not take into account that statutory auditors are already required to establish a quality management system and are subject to public oversight.

To avoid unnecessary bureaucracy and duplication of supervision, we suggest evaluating whether and how existing requirements for quality management systems as well as existing public oversight can be leveraged by ESMA to assess reviewers’ systems and, resources and procedures.

<ESMA\_QUESTION\_ EUGB\_7>