|  |
| --- |
| Reply form  for the Consultation Paper on technical standards on the European Green Bond 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 **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**

|  |  |
| --- | --- |
| Name of the company / organisation | European Contact Group (ECG) |
| Activity | Audit/Legal/Individual |
| Are you representing an association? |  |
| Country/Region | Europe |

**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>

**General Observations regarding the consultation paper**

We welcome the opportunity to respond to ESMA’s Consultation Paper on the regulatory and implementing technical standards (RTS and ITS) under the European Green Bond Regulation (EuGBR).

We fully support the objective of ensuring that external reviews in the green bond market are conducted with integrity, competence, and transparency. At the same time, we believe that these objectives can—and should—be achieved through a framework that builds on existing, widely recognized international standards and that avoids creating duplicative or divergent requirements.

The current RTS proposals reflect a high-level approach, but in many cases stop short of offering sufficient clarity or referencing established global frameworks such as (but not limited to):

* **ISQM 1, *International Standard on Quality Management,***  issued by IAASB – governing firm-level quality management,
* **ISSA 5000, *International Standard on sustainability Assurance*,** issued by IAASB (or in the interim, ISAE 3000 (Revised), I*nternational Standard on Assurance Engagements*, issued by IAASB) – governing sustainability assurance engagements, and
* ***International Code of Ethics for professional accountants (including International Independence Standards* ),** issued by IESBA – governing independence and professional conduct.

These frameworks have been developed by global standard-setters and are already applied by a wide range of assurance providers, for example in the context of limited assurance of sustainability reports in accordance with CSRD/ESRS (which include assurance over taxonomy information) or financial statement audits in the EU. It should also be noted that National Competent Authorities for audit oversight in the EU use these standards (or similar local standards based on these global standards) as a benchmark for their regular inspections or enforcement activities. For example, the Committee of European Auditing Oversight Bodies (CEAOB) has developed a [Common Audit Inspection Methodology for ISQM1](https://finance.ec.europa.eu/document/download/03a5e4e8-ae72-4971-91e8-6404c6bc7087_en?filename=ceaob-caim-risk-assessment-process_en.pdf). Recognizing them as a baseline for external reviewer expectations would promote consistency across jurisdictions, ease supervisory implementation, and significantly reduce compliance burdens without sacrificing quality.

We believe this approach would also align with the Commission’s broader simplification agenda, as emphasized in its *"Competitiveness Compass for the EU – Simplification"* (January 2025), which promotes reduced regulatory burdens and greater reliance on existing best practices – hence using what exists rather than creating new requirements.

We encourage ESMA to consider formally recognizing these standards as sufficient to meet the RTS requirements where applicable, and to focus any additional requirements on aspects truly unique to the green bond context.

We fully acknowledge that other professionals may perform reviews in accordance with the EUGBR. The standards above are usually principles based and – especially in the case of ISSA 5000 – profession agnostic.

**Regarding Q1 – Systems, Resources and Procedures**

We support ESMA’s aim to ensure sound systems and effective resource deployment. However, as audit firms already operate under ISQM 1, we strongly recommend that this international standard be explicitly recognized as a baseline for compliance.

This would provide clarity for market participants and simplify supervisory assessments, while still allowing ESMA to highlight any green bond-specific needs. Firms could demonstrate compliance by cross-referencing their quality management documentation, with ESMA focusing on any supplementary capabilities (e.g. knowledge of EU Taxonomy criteria).

This approach also avoids the risk of regulatory fragmentation and supports comparability across Member States.

<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 the compliance function should be independent, resourced, and empowered. However, the requirement for formal inclusion in senior governance bodies (e.g. board or risk committee) could conflict with certain organizational models and may be too rigid.

Instead, we suggest assessing the **substance** of independence and access—consistent with ISQM 1’s scalable model. For example, ISQM 1 already requires that roles and responsibilities be assigned clearly, and that monitoring and remediation processes be in place to ensure effectiveness.

Recognizing this framework would allow ESMA to verify that appropriate safeguards exist, while giving firms flexibility in how to structure their governance.

<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>

**Administrative and Accounting Procedures**

We believe the RTS would benefit from clarifying whether these procedures refer to:

* the **external reviewer’s own accounting systems**, or
* the **systems supporting review engagements**.

If the focus is on the former, this may fall outside the scope of green bond assurance engagements and would introduce unnecessary obligations unrelated to engagement quality. If the intent is to ensure orderly recordkeeping and financial responsibility, we suggest referring more narrowly to what is needed to support transparency and accountability in the context of assurance activities.

Again, much of this is already captured under ISQM 1 and should be recognized as such to avoid regulatory layering.

**Internal Control Mechanisms**

We agree on the importance of internal controls, but recommend a tighter focus on controls relevant to the **execution of reviews**, rather than internal governance or financial reporting per se.

The COSO framework referenced by ESMA is helpful, but should be complemented or replaced with ISQM 1, which is more directly aligned with the objective of high-quality assurance performance. Recognizing ISQM 1 would also make it easier for both ESMA and firms to anchor compliance assessments in a consistent global benchmark.

**ICT Safeguards and DORA**

We respectfully caution against pre-emptively applying DORA-aligned ICT requirements to external reviewers. External reviewers are not financial institutions and are not subject to the requirements of DORA, and the scope of their activities is significantly narrower and less systemic.

Requiring compliance with DORA-level safeguards could create unnecessary burdens—especially for smaller or non-financial reviewers—without a proportional benefit. Instead, ISQM 1 already mandates that technological resources be appropriate, secure, and supportive of engagement quality, with guidance tailored to the scale and complexity of the firm. We recommend this as the appropriate reference point for ICT expectations.

As mentioned earlier, the CEAOB has developed Common Audit Inspection Methodologies (CAIM) on several aspects related to the quality and integrity of PIE audits. There is also a [CAIM on Information and Cyber Security](https://finance.ec.europa.eu/document/download/5e66f882-b00f-411e-9fd6-805ab129b5f7_en?filename=ceaob-caim-cyber-security-inspection-work-programme-2023_en.pdf) supporting the inspection of the measures implemented by the audit firms to protect the information, and particularly the audit documentation, which includes the documentation produced by the auditor, and the client documentation which has been collected during the audit engagements. We suggest that ESMA connects with the CEAOB to learn more about this approach for the purpose of assessing the adequacy of ICT safeguards.

<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>

We fully support ESMA’s objective to ensure that reviews are based on **reliable, high-quality evidence**. To achieve this consistently and effectively, we urge ESMA to align the RTS more clearly with the **ISSA 5000** standard (or, until its application, ISAE 3000 (Revised)).

ISSA 5000 includes well-established criteria for assessing both the **appropriateness** (relevance and reliability) and **sufficiency** (quantity) of evidence. We encourage ESMA to:

* Avoid conflating “sufficient quality” with “sufficient quantity”—a conceptual distinction made clear in ISSA 5000.
* Emphasize the assurance provider’s professional judgment and responsibility to obtain appropriate evidence for the specific context of each bond.

This alignment would ensure that EU expectations are globally coherent and operationally feasible, while allowing for necessary flexibility.

<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>

The information required from third-country external reviewers is generally reasonable. However, greater clarity on **how ESMA will assess these applications** would be helpful—especially for entities already supervised under robust frameworks in their home jurisdictions.

Referring explicitly to ISQM 1, ISSA 5000, and the IESBA Code as acceptable benchmarks would facilitate a level playing field between EU and non-EU applicants, and make the recognition process more transparent and predictable for all parties.

<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>

We support the proposed standardization of notification forms and templates. A structured, digital-friendly process is welcome and will benefit both ESMA and reviewers.

However, it remains unclear what constitutes a material change and what would therefore trigger a notification. This should be further clarified, with a focus on practicality and proportionality, to avoid placing an undue burden on reviewers or overwhelming ESMA with unnecessary notifications. A reasonable balance between ad-hoc notification and periodic updates needs to be found.

<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>

While the CBA recognizes some implementation burdens, we believe it underestimates the potential efficiencies of aligning with existing international frameworks. By allowing firms to rely on ISQM 1, ISSA 5000, and the IESBA Code, ESMA could:

* Reduce its own supervisory overhead,
* Enable firms to scale compliance more easily,
* Lower barriers to entry for qualified market participants, and
* Promote consistency and credibility across the European market.

This would significantly reduce bureaucratic cost and directly support the Commission’s broader policy goals on competitiveness and simplification.

**Closing Remarks**

We reiterate our appreciation for ESMA’s efforts to build a solid regulatory foundation for the European Green Bond market. The draft RTS offer a strong starting point, and with further alignment to existing international standards, the final framework can deliver both **quality and practicality**.

We stand ready to support the finalization and implementation process, and we thank ESMA for its continued engagement with stakeholders.

<ESMA\_QUESTION\_ EUGB\_7>