



Ms Van Laere  
Head of Unit, Credit Rating Agencies  
ESMA  
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14 June 2024

Dear Ms Van Laere,

**PwC response to ESMA consultation - Draft regulatory technical standards on the European Green Bond Regulation**

PwC International Ltd (PwC), on behalf of the PwC network, welcomes the opportunity to provide feedback on the draft Technical Standards on the European Green Bond Regulation.

We commend ESMA for acting on its mandate to develop these standards and we fully support the objective to establish an effective and coherent regulatory framework that provides for the reliable and trusted external reviews of European Green Bonds, and thus contributes to the overall success of European Green Bonds as part of the green transition. The EU green bond standard can help attract investment into EU markets and external reviews have an important role to play – reviews should be consistent and seek to limit unnecessary compliance and administrative burdens, to avoid extra costs for investors and encourage supply and high-quality of external reviewers.

We have provided answers to some of the questions in the consultation in the appendix to this letter, and have the following overarching comments. Our suggestions aim to streamline the proposal, enhance monitoring efforts, and promote effective implementation of the Regulatory Technical Standards (RTS).

**Recognition of existing regulatory frameworks**

In our view, ESMA could enhance the efficiency of the RTS and its monitoring efforts by adopting an approach that recognises existing regulatory frameworks and established independent supervision, applicable to some potential external reviewers. For example, the auditing profession is highly regulated and complies with the International Standard on Quality Management, ISQM1, and adheres to the Code of Ethics and other responsibilities set out by IESBA and relevant territory regulators.

We recommend that existing accreditations of assurance providers be considered equivalent. There is already a lot of information in transparency reports of accountancy firms that undertake public interest entity (PIE) audits. Alternatively, ESMA could provide exemptions to external reviewers who have already fulfilled similar accreditation requirements with national competent authorities.

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This approach would effectively address the RTS's requirements for those external reviewers currently operating in a regulated environment, including criteria for assessing senior management, board members, and analytical resources at the time of registration, criteria for evaluating sound and prudent management and conflicts of interest, and criteria for assessing the knowledge and experience of analysts.

Audit firms' transparency reports already contain relevant information requested by the draft RTS on the criteria for assessing sound and prudent management, and the management of conflicts of interest of an external reviewer. Transparency reports include a description of the governance structure, the internal quality control system of the firm and a statement by the administrative or management body on the effectiveness of its functioning and the firm's independence practices.

### **Information required**

We believe that all of the draft RTS could benefit from providing clearer guidance as to how the requirements would achieve the criteria in a meaningful manner. The significant amount of documentation required by the draft RTS raises some concerns regarding the efficient assessment of external reviewers' registration, as follows.

- It would be beneficial to have clarification on whether these requirements apply to the entire senior management and board of an external reviewer, and we suggest that the application is limited to those members of the senior management and board that are, or are expected to be in the forthcoming 12 months, directly responsible for internal oversight of the external reviewer's assessment activities of European Green Bonds.
- In our view, collecting and providing the required information may be a barrier to entry, and may come with a high cost of compliance and require significant resources, especially for smaller external reviewers and those in non-regulated industries. In addition, we are concerned that there may be a significant burden on ESMA in analysing the amount of information provided. It is, therefore, important that ESMA is appropriately resourced to deal with the workload effectively and process registrations on a timely basis. Lastly, the regular updating of the information upon any changes faced by the registrant will add to this burden.
- The drafting of the proposed RTS suggests that it is setting out a series of minimum requirements, for example on internal control systems, independence and conflicts of interest of external reviewers. Consequently, there is a risk of different levels of objectivity and different amounts of information being applied, without users being able to assess these differences.
- Regarding the criteria for assessing the level of knowledge, experience, and training of analysts and other individuals directly involved in assessment activities (Article 6), the information requested, such as employment history, is, in our view, potentially too detailed. We suggest that consideration is given either to limiting the period for which this information is required or that the information is limited to an individual's relevant experience only.



### **Close cooperation between ESMA and “lead regulator”**

We believe that consideration should be given to cooperating with independent oversight bodies that are already supervising external reviewers' compliance with existing risk management frameworks (“lead regulators”). This would help build on current supervision arrangements and enable ESMA to collaborate with other regulatory bodies in ensuring the external reviewer's compliance with its own risk management framework. ESMA would also keep its exclusive responsibility for the oversight of external reviewers.

Utilising existing regulatory oversight, the concept of a lead regulator could help manage the registration process and assist in managing the substantial amount of information that ESMA is expected to receive from entities registering as external reviewers.

This approach would not only ensure efficient coordination among regulatory bodies but also promote a positive and collaborative environment for the effective implementation of the supervisory framework.

Our responses to the specific consultation questions relating to the draft RTS are attached to this letter.

If you would like to discuss any points that we have raised in this letter or attachment, please do not hesitate to contact me ([gillian.lord@pwc.com](mailto:gillian.lord@pwc.com)) or Jacomien van den Hurk ([jacomien.van.den.hurk@pwc.com](mailto:jacomien.van.den.hurk@pwc.com)).

Yours sincerely,

A handwritten signature in black ink that reads "Gilly Lord".

Gilly Lord  
Global Leader for Public Policy and Regulation

PwC IL is registered under number 60402754518-05 in the EU Transparency Register.

# 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](http://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](#).

**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	PwC IL
Activity	Audit/Legal/Individual
Are you representing an association?	<input type="checkbox"/>
Country/Region	International

## Questions

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

<ESMA\_QUESTION\_EUGB\_1>

Our main recommendation would be to limit the amount of information required to only those members of the senior management and the board that are directly responsible for overseeing European Green Bonds reviewing activities. The extent and granularity of the information exceeds what is currently asked by regulators in their national auditor registration process.

In particular, in Article 1, we suggest that only those members of senior management and the board of an external reviewer should fall under the scope of the regulation that are, or are expected to be in the forthcoming 12 months, directly responsible for internal oversight of the external reviewer's assessment activities of European Green Bonds. It is currently unclear whether the requirements apply to a firm's entire board and senior management, or solely to the senior management overseeing the business segment responsible for reviewing Green Bonds.

Collecting and providing the required information may come with a high cost of compliance and require significant resources. Furthermore, some of the information proposed to be provided is likely to be detailed, including the education, training, and employment history of the board and senior management, as well as the self-declarations of fitness and propriety.

By way of example, Article 4 refers to an external reviewer assessing the skills of "*members of its senior management and board*" to perform tasks required by external reviewers. Such an assessment may not be appropriate for the overall board and senior management of a multidisciplinary firm, but would be relevant specifically to those in the relevant business segment.

Our suggestion would also be in line with recital (2) of the draft RTS, which highlights the "*key role in ensuring that the external reviewer meets its regulatory obligations*" for the members of the senior management and the board.

With regard to Article 4, we would welcome further clarity over the process for assessing the skills of each member of the senior management and the board, as it is unclear whether there will be a standardised form or a uniform assessment procedure implemented across all external reviewers.

<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 the proposals, however we believe that the requested information is too detailed and we would welcome clarity on the amount of information to be provided. E.g. the criteria to assess the sufficiency of the number of analysts, employees and other persons directly involved in external reviewing activities in Article 5 includes the roles, related job descriptions and assigned headcount, which we expect could be very extensive. In Article 5 it is also unclear at which point the measurement of the number of employees should take place, for example as an average over a year, or at the end of the year in question. In addition, the requirement in Article 5 (c) mentions the number of assessments to be completed in the next twelve months, but it is uncertain if this applies only to the initial year of registration or every year.

Regarding the criteria for assessing the level of knowledge, experience, and training of analysts and other individuals directly involved in assessment activities (Article 6), the information requested, such as employment history, is, in our view, too detailed. We suggest that consideration is given either to limiting the period for which this information is required or that the information is limited to an individual's relevant experience only.

<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 suggest that ESMA considers the addition of a provision in this RTS, possibly in Article 4, that recognises the equivalence of an external reviewer's already established risk and quality management frameworks. This framework would also encompass conflicts of interest policies as required by Article 5. This would only apply in situations where the external reviewer is already subject to regulation by an independent oversight body ("lead regulator").

It is likely a number of entities that will want to register to become an external reviewer for European Green Bonds will already be subject to a regulatory framework and standards that oblige them to implement and maintain strict risk and quality management systems. This is especially the case for those that are operating in regulated professions and industries, such as statutory auditors. The auditing profession, for example, requires compliance with the International Standard on Quality Management, ISQM1, and adherence to the Code of Ethics and other responsibilities set out by IESBA. If an external reviewer can confirm its compliance with such systems during the registration process, we believe that ESMA could deem this compliance having the same effect and therefore equivalent to the requirements laid out in these draft RTS.

Statutory auditors or audit firms that carry out statutory audits of public-interest entities could, for example, provide ESMA with their annual transparency report, prepared in accordance with Article 13 of Regulation (EU) 537/2014. A transparency report includes information such as a description of the governance structure, a description of the internal quality control system of the firm and a statement by the administrative or management body on the effectiveness of its functioning, and a statement concerning the firm's independence

practices which also confirms that an internal review of independence compliance has been conducted.

### **Close cooperation between ESMA and “lead regulator”**

In addition to our previous suggestion to allow an external reviewer to refer to an already established risk and quality management framework, we would like to suggest the inclusion of a provision in the RTS that encourages close cooperation between ESMA and the relevant independent oversight body that is supervising the external reviewer’s compliance with such framework (“lead regulator”). If an external reviewer chooses to refer to already established risk and quality management frameworks, to ensure the practical effectiveness of the measure, care should be taken to ensure that there are no legal impediments which may prevent an oversight authority/lead regulator sharing information available to it with ESMA. This way, ESMA can carry out its exclusive responsibility for the oversight of external reviewers in an effective manner.

We note that the reference to the internal control framework in Article 4 is potentially ambiguous; it could apply to the firmwide internal controls framework or solely to those internal controls pertaining to the relevant business segment responsible for external reviews of Green Bonds. In line with our response to question 1, the latter is appropriate.

In our view the requirement for the most recent minutes of the governing bodies (Article 2) to be provided to ESMA is inappropriate. Those meetings are likely to be wider ranging in scope and content than, and possibly unrelated to, the external review of Green Bonds. They may also contain commercially sensitive and other legally protected information.

<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>

In Article 5, we believe that it is not necessary to provide a list of current and potential conflicts of interest, as the process for managing conflicts of interests should provide sufficient transparency in this respect. Compiling and disclosing an inventory of actual or potential conflicts of interest, as requested in Article 5 (4), may involve commercially sensitive information and may also breach client confidentiality.

<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>

**Information Requested on the External Review Team**

The information requested on the external review team appears to be extensive and may impose a significant burden. Furthermore, it would be helpful to clarify whether this information is required on a one-off basis or if it needs to be submitted periodically.

The request for information on the entire engagement team, including junior analysts, raises practical challenges and potential privacy concerns. Usually we would deploy expertise to an assignment as it arises.

We suggest focusing on disclosing the individual responsible for issuing the review, along with their professional qualification(s). Additional details of personnel involved in the review could be provided upon request or through a separate, non-public reporting mechanism.

We also suggest that the external reviewer should show evidence of the training process, rather than disclose this for each individual.

With regards to individual competences, we would like to refer to ISQM 1, which refers to human resources, ie. par. 32 a) - e) and also to the requirement of the IESBA Code of Ethics - one of 5 fundamental principles of having professional competences in order to provide attestation services to the public (section 113).

<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 recommend clarifying the definition of a third-party service provider in Article 2. For example, if an assurance provider were to use a delivery centre within its network to outsource certain assessment activities, it would be helpful to understand whether the delivery centre 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 would suggest consistency with ISQM1, in particular how "network" and "service provider" are defined.

<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>

The granularity and scope of the information requested seem to be disproportionate. We suggest reducing the amount of information as per our cover letter.

<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>

|TYPE YOUR TEXT HERE |

<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>

|TYPE YOUR TEXT HERE |

<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>

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<ESMA\_QUESTION\_ EUGB\_11>