

ESMA

201-203 rue de Bercy

75012 Paris

29 May 2025

Dear Madam/Sir,

Deloitte welcomes the opportunity to respond to ESMA's second consultation paper on regulatory and implementing technical standards for external reviewers of European Green Bonds. We support the need for assurance providers to design, implement and operate effective systems, resources and procedures for the firm and its personnel to fulfil their obligations and responsibilities in accordance with professional standards and applicable legal and regulatory requirements.

As statutory auditors under EU Law, we are already subject to extensive existing regulation and oversight. Audit and independent assurance providers are required to comply with existing obligations set out across a range of professional standards, laws and regulations. This includes an internationally recognised quality management standard known as International Standard on Quality Management (ISQM) 1 and related existing ethical and independence requirements and existing engagement performance standards such as the International Standard on Assurance Engagements (ISAE) 3000 (Revised). Once effective from periods beginning on or after 15 December 2026, providers will also need to comply with the International Standard on Sustainability Assurance (ISSA) 5000 when performing assurance over sustainability matters.

Of specific relevance to the topics covered in this consultation is ISQM 1, which provides requirements to design, implement and operate a system of quality management for performing audits, assurance or related services engagements, which would include the performance of pre-issuance reviews, post-issuance reviews and impact report reviews as stipulated in Regulation (EU) 2023/2631. The system of quality management as required by ISQM 1 and related ethical requirements applies to our firms through member state/national rules or guidance and/or their commitment to apply these standards as members of the Forum of Firms.

In January 2025, the European Commission presented the Competitiveness Compass, a new roadmap to restore Europe's dynamism and boost EU economic growth. The ESMA draft proposal for an external reviewer to implement an alternate assessment framework, which would operate in parallel to what audit and independent assurance providers have already implemented in terms of auditors' registration and a robust system of quality management as required under ISQM 1, will create new red tape, additional administrative burden and greater cost for issuers of EU Green Bonds. This is contrary to the aims of the European Commission's Competitiveness Compass to boost the EU's competitiveness, including removal of red tape.

We have responded to the questions in the consultation and consider the requirements in ISQM 1 create a system of quality management that achieves the objectives of the draft Technical Standards.

We therefore strongly recommend that the final Technical Standards explicitly recognise the comprehensive system of quality management as required under ISQM 1 that audit firms and other assurance providers have already implemented rather than creating parallel systems that duplicate existing quality management requirements as recognized under EU law, which will create new red tape, additional administrative burden and greater cost for issuers of EU Green Bonds.

If you have any questions or would like to discuss any point, please contact Pablo Zalba, Managing Director EU Policy Centre (pzalba@deloitte.es) or Niall Walsh, Global Assurance Quality and Risk Leader (niwalsh@deloitte.ie).

Yours sincerely,



Pablo Zalba
Managing Director EU Policy Centre
Partner Deloitte Spain



Niall Walsh
Global Assurance Quality and Risk Leader
Partner Deloitte Ireland

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 under the heading [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	Deloitte
Activity	Audit/Legal/Individual
Are you representing an association?	<input checked="" type="checkbox"/>
Country/Region	International

Questions

Q1 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>

Deloitte acknowledges and supports the implementation of appropriate systems, resources and procedures to comply with their obligations with relevant professional standards, laws and regulations.

We refer to our covering letter included within our response to this question, specifically we consider the requirements in ISQM 1 create an effective system of quality management that achieves the objectives of the draft Technical Standards for the assessment of the appropriateness, adequacy and effectiveness of systems, resources and procedures.

<ESMA_QUESTION_EUGB_1>

Q2 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>

Q2.1 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?

Deloitte acknowledges and supports, in principle, the concept and importance of an independent, sufficiently empowered and well-resourced compliance function to determine if an external reviewer complies with relevant professional standards, laws and regulations, and internal policies and procedures.

The concept of a compliance function that the draft Technical Standards proposes aligns with the quality management requirements of ISQM 1 (referred to in our covering letter which is part of our response to this question) to establish a monitoring and remediation process to provide relevant, reliable and timely information about the design, implementation and operation of the system of quality management and take appropriate actions to respond to identified deficiencies such that deficiencies are remediated on a timely basis. ISQM 1 requires the assignment of individual(s) with operational responsibility for the monitoring and remediation process who has the appropriate experience, knowledge, influence and authority within the firm, and sufficient time, to fulfil their assigned responsibility and understands their assigned role and that they are accountable for fulfilling the role. ISQM 1 requires policies or procedures that require individuals performing the monitoring activities to have the competence and capabilities, including sufficient time, to perform the monitoring activities effectively; and address the objectivity of the individuals performing the monitoring activities.

We refer to our covering letter included within our response to this question, specifically we consider the requirements in ISQM 1 create an effective system of quality management that achieves the policy objective of a compliance function to have the authority and objectivity to discharge its responsibilities properly and independently, including have the necessary resources and expertise.

We strongly recommend that the final Technical Standards explicitly recognise the comprehensive system of quality management that audit firms and other assurance providers have already implemented under ISQM 1 rather than creating parallel systems that duplicate existing requirements which would create new red tape, additional administrative burden and greater cost for issuers of EU Green Bonds.

Q2.2 Do you agree with ESMA's proposals for the assessment of whether the compliance function has the necessary resources and expertise?

Deloitte acknowledges and supports, in principle, the concept and importance of an independent, sufficiently empowered and well-resourced compliance function to determine if an external reviewer complies with relevant professional standards, laws and regulations, and internal policies and procedures.

We refer to our covering letter included within our response to this question, specifically we consider the requirements in ISQM 1 would create an effective system of quality management that would achieve the policy objective of a compliance function with the necessary resources and expertise.

We strongly recommend that the final Technical Standards explicitly recognise the comprehensive system of quality management and professional standards as required under ISQM 1 that audit firms and other assurance providers have already implemented rather than creating parallel systems that duplicate existing quality management requirements, which would create new red tape, additional administrative burden and greater cost for issuers of EU Green Bonds.

Q2.3 Do you agree with ESMA's proposals for the assessment of whether the compliance function has the necessary access to all relevant information?

Deloitte acknowledges and supports, in principle, the concept that a compliance function needs access to the necessary required information to design and perform monitoring activities to determine if an external reviewer complies with relevant professional standards, laws and regulations.

We consider this section of the draft Technical Standards has been, in places, written from the perspective, and in the style of ESMA supervising issuers and credit rating agencies rather than an external reviewer. Specifically, where there is reference to “internal and external audit reports and other reports to senior management’ and ‘customer complaints’ this seems to be vocabulary that is more aligned with criteria for an issuer or credit rating agency rather than an external reviewer and therefore we question the relevance of these elements of the draft Technical Standards to the supervision of engagements performed by external reviewers. **We consider these specific requirements should be removed from the draft Technical Standards.**

ISQM 1 requires the design and performance of monitoring activities to provide a basis for the identification of deficiencies. In determining the nature, timing and extent of the monitoring activities, the external reviewer shall take into account various aspects and information as outlined by ISQM 1 para 37, which include results of previous monitoring activities and other relevant

information, including complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements or non-compliance with the firm's policies or procedures established in accordance with the quality management standard, information from external inspections and information from service providers.

We refer to our covering letter included within our response to this question, specifically we consider the requirements in ISQM 1 create an effective system of quality management that achieves the policy objective of a compliance function has the necessary access to all relevant information.

We strongly recommend that the final Technical Standards explicitly recognise the comprehensive system of quality management that audit firms and other assurance providers have already implemented rather than creating parallel systems that duplicate existing requirements which would create new red tape, additional administrative burden and greater cost for issuers of EU Green Bonds.

<ESMA_QUESTION_ EUGB_2>

Q3 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>

Q3.1 Do you agree with ESMA's proposals for the assessment of the soundness of administrative and accounting procedures?

Deloitte acknowledges and supports, in principle, the concept that an external reviewer requires sound administrative procedures to determine if an external reviewer complies with relevant professional standards, laws and regulations.

We consider this section of the draft Technical Standards has been, in places, written from the perspective, and in the style of ESMA supervising issuers and credit rating agencies rather than an external reviewer. Specifically, in this section of the draft Technical Standards there is a requirement to ensure a clear audit trail is maintained of all transactions. There is also reference to compliance with the applicable accounting standards and rules. The rationale for compliance with applicable accounting standards and rules is relevant when supervising issuers and credit rating agencies but the rationale is not clear when regulating an external reviewer. We consider that the role of an external reviewer is fundamentally different to that of an issuer of financial products and believe this section is not directly related to the external reviewer's responsibilities in performing assurance engagements, which will include pre-issuance reviews, post-issuance reviews and impact report reviews. **We consider these two specific requirements should be removed from the draft Technical Standards.**

We refer to our covering letter included within our response to this question, specifically we consider the requirements in ISQM 1 create an effective system of quality management that achieves the policy objective of sound administrative procedures. **We strongly recommend that the final Technical**

Standards explicitly recognise the comprehensive system of quality management that audit firms and other assurance providers have already implemented rather than creating parallel systems that duplicate existing requirements which would create new red tape, additional administrative burden and greater cost for issuers of EU Green Bonds.

Q3.2 Do you agree with ESMA's proposals for the assessment of the soundness of internal control mechanisms?

Deloitte strongly supports the need for robust quality management processes to determine if an external reviewer complies with relevant professional standards, laws and regulations.

The draft Technical Standards refer to internal control functions (i.e. 'a) the control environment put in place is effective and adequate for the nature, scale and complexity of the business to safeguard the independence of internal control functions from the business lines') however these functions are not explicitly defined. This means the nature of these functions is unclear including how they are different from the compliance function required by Article 29. **We consider the specific requirements should be clarified.**

The draft Technical Standards also use the term 'business lines' in relation to matters of independence. The definition of 'business lines' is unclear and seems to be vocabulary that is more aligned with criteria for a financial services institution than an external reviewer. **We consider the specific requirements should be clarified.**

We suggest that Article 26 and Article 30 should be considered together, which supports the implementation of appropriate systems, resources and procedures for an external reviewer to comply with their obligations with relevant professional standards, laws and regulations.

We strongly recommend that the final Technical Standards explicitly recognise the comprehensive system of quality management that audit firms and other assurance providers have already implemented rather than creating parallel systems that duplicate existing requirements which would create new red tape, additional administrative burden and greater cost for issuers of EU Green Bonds.

Q3.3 Do you agree with ESMA's proposals for the assessment of the effectiveness of control and safeguard arrangements for information processing systems?

Deloitte acknowledges and supports, in principle, the concept that an external reviewer requires effective internal control and safeguard arrangements for information processing systems.

We believe that this section of the draft Technical Standards is sourced from the requirements of Regulation (EU) 2022/2554, DORA, a regulation on the security of network and information systems supporting the business processes of financial services entities. **We consider that the role of an external reviewer is fundamentally different to a financial services entity. We strongly recommend that the final Technical Standards explicitly recognise the comprehensive system of quality management that audit firms and other assurance providers have already implemented rather than creating parallel systems that duplicate existing requirements which would create new red tape, additional administrative burden and greater cost for issuers of EU Green Bonds. In light of this, we strongly recommend that this section of the draft Technical Standards is replaced with the**

requirements from the quality management standard ISQM 1, which requires that appropriate technological resources be obtained or developed, implemented, maintained, and used to support the operation of an external reviewer's system of quality management and the performance of engagements.

<ESMA_QUESTION_ EUGB_3>

Q4 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>

Q4.1 Do you agree with ESMA's proposals to specify the criteria to assess whether the information used when providing reviews is of sufficient quality?

Deloitte acknowledges and supports the concept of assessing whether information used during an external review is of sufficient quality.

The existing internationally recognised performance standards International Standards on Assurance Engagements (ISAE) 3000 (Revised) prescribes requirements related to the sufficiency and appropriateness of evidence necessary to support the practitioner's conclusion and assurance report. In the existing standards, sufficiency is the measure of the quantity of evidence and appropriateness of evidence is the measure of the quality of information, that is, its relevance and its reliability to provide support for the practitioner's conclusion. The pre-issuance, post-issuance and impact reviews as determined by the European Green Bonds Regulation currently falls into scope of these requirements.

The International Standard on Sustainability Assurance (ISSA) 5000 will prescribe requirements on independent assurance providers when performing an assurance engagement on sustainability information. ISSA 5000 states that a practitioner should evaluate the sufficiency, relevance and reliability of information intended to be used as evidence, including information obtained from sources external to the entity. The standard also states when using information produced by the entity, a practitioner should evaluate whether the information is sufficiently reliable for the practitioner's purposes, including obtaining evidence about the accuracy and completeness of the information and evaluating whether information is sufficiently precise and detailed for the practitioner's purpose. The pre-issuance, post-issuance and impact reviews as determined by the European Green Bonds Regulation would fall into scope of these requirements once effective for periods beginning on or after 15 December 2026.

When assessing whether information used during external reviews is of sufficient quality, we recommend explicitly referencing to or use of internationally recognised performance standards for assurance engagements on sustainability information (i.e., ISAE 3000 (revised) and ISSA 5000).

<ESMA_QUESTION_ EUGB_4>

Q5 Do you agree with ESMA's proposals to specify the information, form and content of applications for recognition?

<ESMA_QUESTION_ EUGB_5>

Deloitte supports the concept to specify the information, form and content of application for recognition of external reviewers for practicality and efficiency gains.

There are existing EU regulatory frameworks, such as Audit Directive 2006/43/EC Chapter XI "International Aspects", which covers the registration and oversight of third-country auditors and audit entities in detail and specify the conditions and information required to register to as third-country auditors in EU member states. The existing EU regulatory frameworks cover registration and oversight of third-country providers responsible for carrying out statutory audits or assurance of sustainability reporting of third country issuers registered on EU regulated markets.

We note in this regard that the EU Audit Directive specifically provides that auditor oversight bodies and relevant European Supervisory Authorities shall cooperate with each other whenever necessary for the purpose of carrying out their respective responsibilities and tasks (Article 36). Therefore, Deloitte proposes that ESMA leverage existing accreditations and implement an appropriate mechanism to recognize where the external reviewer, including third-country applicants is a member of a regulated profession such as an auditor, subject to independent oversight. Similarly, there may be other professional services providers that should also be recognized for similar reasons.

We strongly recommend that the final Technical Standards explicitly recognise existing EU Directives and Regulatory Frameworks in place for audit firms and other assurance providers rather than creating additional or duplicative requirements which would create new red tape, additional administrative burden and greater cost for issuers of EU Green Bonds.

<ESMA_QUESTION_ EUGB_5>

Q6 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>

Deloitte supports the proposal for specific standard forms, templates and procedures to notify ESMA of material changes in the information provided at registration. It is unclear what ESMA would consider as a material change.

We recommend that the final Technical Standards should include more details on what would constitute a material change.

<ESMA_QUESTION_ EUGB_6>

Q7 Do you have comments or quantitative information to provide on the CBA and options considered by ESMA?

<ESMA_QUESTION_ EUGB_7>

Deloitte notes that the European Green Bond Regulation, which relies on the EU Taxonomy Regulation for the criteria that determine whether a bond qualifies as an EU Green Bond, precedes the European Commission's Omnibus proposals and the co-legislators on-going work on these proposals, which seek to reduce the scope of application of Taxonomy reporting and so may impact the issuing of EU Green Bonds. More broadly, the EU's aim to make the EU economy more competitive, as well as sustainable, and to simplify regulation and reduce burden, may perhaps lead to suggestions to revise the European Green Bond Regulation itself.

While we strongly support the need for robust quality management processes by an external reviewer, we express concern about the efficiency and impact of the European Green Bond Regulation and the proposed draft Technical Standards. In particular, we are concerned that the draft Technical Standards may require an assurance practitioner to establish and operate a system of quality management specific to being an external reviewer of EU Green Bond disclosures and in parallel to the system of quality management required under ISQM 1 to perform other sustainability engagements. This proposal will create new red tape, additional administrative burden and greater cost for issuers of EU Green Bonds.

As a network of professional services firms, we have already embedded a system of quality management to underpin our public interest audit and assurance engagements in line with EU law and the requirements of the internationally recognised quality standard, ISQM 1. We refer to our covering letter included within our response to this question, specifically we consider the requirements in ISQM 1 would create an effective system of quality management that would achieve the core policy objectives. In the context of the European Commission's recent actions to simplify regulation and reduce burden, we encourage ESMA to evaluate the requirements of ISQM 1 and recognise its equivalence. |

<ESMA_QUESTION_ EUGB_7>