



ESMA's perspective on Greenwashing

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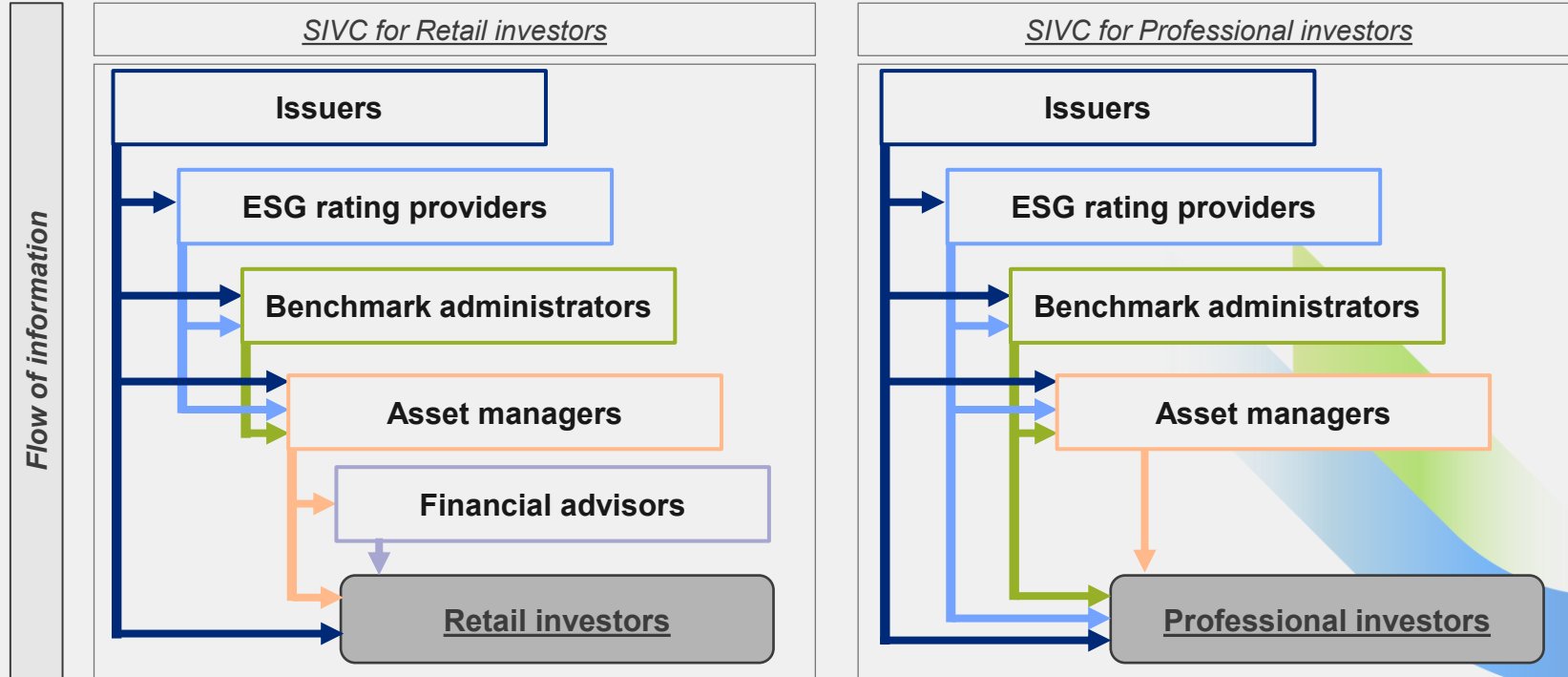
Introduction



- Starting point for securities markets regulators : ensure investor protection and **maintain a trusted environment for sustainable investments**
- Sustainable Finance **Roadmap** 2022-24 : promoting transparency and tackling greenwashing spelled out as a priority
- **Union Strategic Supervisory Priority** (*since January 2023*) focusing on ESG disclosures
- **Greenwashing Progress Report** (*June 2023*)* : common understanding of greenwashing and assessment of greenwashing risks across the Sustainable Investment Value Chain. This Report is also a preliminary reply to the Commission's call for input to the three European Supervisory Authorities (ESAs)
- **Greenwashing Final Report** (*to come in June 2024*) : expected to focus on the supervisory response to greenwashing. It will be ESMA's final reply to the Commission's call for input.

* *Progress Report is available [here](#): the content of this presentation largely builds on its findings.*

Focus on the Sustainable Investment Value Chain



Greenwashing : common high-level understanding

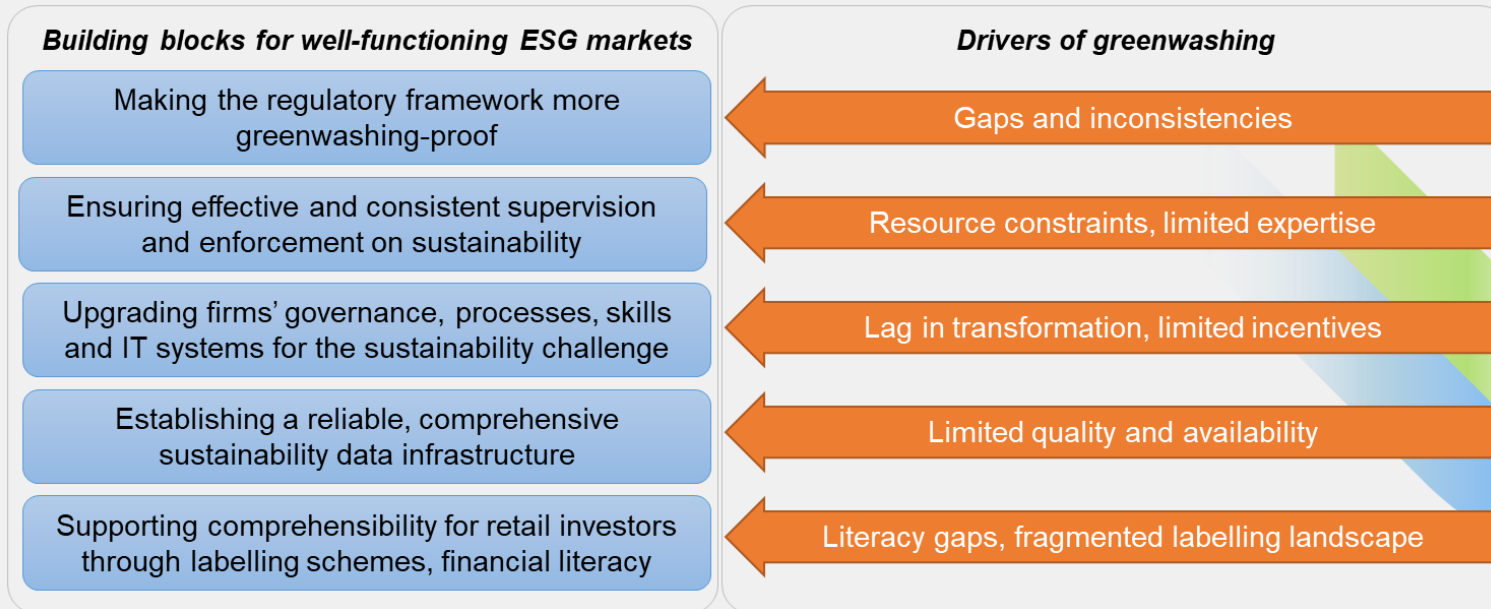


This common high-level understanding developed by the ESAs:

- Comprises a (1) summary statement and (2) a list of core characteristics clarifying the scope of the issue (e.g., can occur intentionally or unintentionally...)
- Builds on existing references in EU regulatory framework and on input from stakeholders
- Is relevant to market participants across the three ESAs' remits
- Supports a better understanding of greenwashing by market participants and financial regulators across the EU

Greenwashing : result of both conduct and structural issues

- Greenwashing is both a **conduct issue**, where market participants fail to live up to their responsibility to make substantiated claims and a **structural issue**, with multiple inter-related drivers hindering the well-functioning of ESG markets.



Source : ESMA Progress Report on Greenwashing

Greenwashing : risk areas across the SIVC

Areas most exposed to greenwashing risks across the different sectors of the SIVC

Issuers

Forward-looking information and pledges about future ESG performance; claims about sustainability strategy, resources and expertise.

Investment managers

Impact claims; misleading naming practices; claims about engagement with investee companies; ESG strategy, policies and credentials; ESG governance.

Benchmark administrators

Impact claims; misleading naming practices; lack of transparency regarding likely holdings and ESG data methodologies.

Investment service providers

Claims about the extent to which advice to retail investors considers sustainability.

Market participants across the SIVC can play the role of trigger, spreader, and/or receiver of a misleading claim.

General expectations to market participants

- Market participants have a responsibility to make **substantiated claims and communicate sustainability information in a balanced manner.**
- In order to tackle greenwashing risks, market participants are also expected to:
 - Fulfil **due diligence responsibilities on ESG data** with the same ambition and care as they currently do for financial data.
 - **Avoid overreliance on external ESG data sources** and information.
 - **Build expertise** on sustainability.
 - Implement the necessary **governance processes**, adapt **internal organisation and IT systems.**

ESMA's response : clarifying rules



ESMA is **committed** to helping financial market participants **getting regulatory clarity and consistency**.

On one hand : **developing a holistic view**

- Looking through the SIVC and identify what improvements can be made to the SF regulatory framework,
- So that the SIVC supports effectively investors in their decision making.

On the other : **targeted clarifications in rules**

- Clarifications on specific areas like the updated Guidelines on suitability and product governance, Public Statement on sustainability disclosure in prospectuses, on-going work on fund naming, etc.

ESMA's response : common supervisory actions



Under ESMA's coordination, NCAs conduct common supervisory actions on various topics

- CSA on sustainability disclosures and risks: Ongoing - to be finalised by end 2024. ESMA & NCAs are assessing compliance of the funds industry with provisions related to sustainability disclosures and risks under SFDR and UCITS/AIFMD.
- CSA on marketing material: Ongoing - to be finalised in 2024. ESMA & NCAs are assessing marketing material of financial products, including potential greenwashing practices.
- CSA on ESG disclosures for benchmarks administrators: On-going. ESMA and NCAs are assessing ESG disclosures under the Benchmark Regulation.
- CSA on suitability requirements: Upcoming in 2024. NCAs will assess the implementation of requirements on the integration of sustainability into suitability assessment and product governance.

ESMA's response: Capacity building



Across the SIVC

- Improving financial literacy of retail investors: ESAs have been working with NCAs to provide an interactive factsheet for consumers on sustainable finance.
- Knowledge of advisors: clarifications expected under the Retail Investment Strategy package of the EC

For NCAs

- Spelled out as a priority under the Sustainable Finance Roadmap 2022-24
- Trainings to build relevant capacities on ESG factors and on SF regulatory framework, supported by an on-line platform that recently went live.

Thank you for your attention

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