



ESBG response to the ESAs call for evidence on greenwashing

Executive summary

January 2023

ESBG Transparency Register ID
8765978796-80

The ESAs (ESMA, EBA, EIOPA) received a request for input from the Commission relating to greenwashing risks and supervision of sustainable finance policies. Therefore, they sought input on potential greenwashing practices in the whole EU financial sector, including banking, insurance and financial markets, and which may be relevant to various segments of the sustainable investment value chain and of the financial product lifecycle.

ESBG'S POSITION

A complex EU framework with different requirements and the absence of a clear definition of greenwashing

First of all, ESBG welcome this call for evidence since greenwashing is an issue which must be tackled at the EU-level and would like to recall that banks and savings banks are intensively dedicated to the traceability, transparency and credibility of the sustainability features they have to consider in investment advice and financial portfolio management. Some existing EU legislations are already aiming at preventing greenwashing, such as the EU Taxonomy, the Sustainable Finance Disclosure Regulation (SFDR) and the Markets in Financial Instruments Directive (MiFID II). Nonetheless, ESBG regrets that these different regulations are currently based on a different understanding of sustainability with different sense of meaning of what greenwashing actually is.

Moreover, the requirements laid down by these regulations can be extremely complex and are not always harmonized between one another. It can lead to inconsistencies in interpretations, legal uncertainty and even "greenwashing" accusations, which can also give rise to civil liability issues as well as reputational risks for banks. On top of that, the existence of a large amount of complex ESG information and data that needs to be provided to investors and clients can create a perverse effect through an information overload which can facilitate greenwashing.

The need for more consistency among EU regulations

Therefore, in the interest of customers as well as banks, saving banks and issuers of financial products, ESBG assesses that there is an urgent need for a harmonization of the understanding of sustainability and greenwashing within the framework of European legislations and supervisory practices. This clarity should be achieved through consistency and regulatory stability. In other words, ESBG deems necessary to avoid implementing too many evolving standards which will lead eventually to different evaluations over time.

ESBG believes that it could be achieved through the following steps:

- First, there is a need to strengthen transparency through a consistent enforcement of existing EU regulations' requirements.
- Then, a clear and scientifically comprehensible, as well as uniform legal definitions of both sustainability and greenwashing for financial instruments must be implemented, keeping in mind the need for practicality and feasibility for banks and saving banks when implementing these requirements.

READ THE FULL POSITION PAPER