POSITION PAPER

# ESBG response to the ESAs joint Call for Evidence on green-washing

ESBG (European Savings and Retail Banking Group)

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# PART 1 – ESAs common section of the CfE

## A. Possible features of greenwashing

### 1. Core features of greenwashing

This part of the survey enquires about the views of respondents on what can be seen as core characteristics of greenwashing, including:

1) Similarly with the communication of other misleading claims there are several ways in which sustainability-related statements, declarations, actions, omissions or communications may be misleading. On the one hand, communications can be misleading due to the omission of information that consumers or investors would need to take an informed transactional or investment decision (including but not limited to partial, selective, unclear, unintelligible, inconsistent, vague, oversimplistic, ambiguous or untimely information, unsubstantiated statements). On the other hand, communications can be misleading due to the actual provision of information, relevant to an informed transactional or investment decision, that is false, deceives or is likely to deceive consumers or investors (including but not limited to mislabelling, misclassification, mis-targeted marketing);

2) Greenwashing can occur either at entity level (e.g. in relation to an entity's sustainability strategy or performance), at product level (e.g. in relation to products' sustainability characteristics or performance) or at service level including advice and payment services (e.g. in relation to the integration of sustainability-related preferences to the provision of financial advice).

3) Greenwashing can be either intentional or unintentional (e.g. resulting from negligence or from misinterpretation of the sustainable finance regulatory framework requirement).

4) Greenwashing can occur at any point where sustainability-related statements, declarations or communications are made, including at different stages of the cycle of financial products/services (e.g. manufacturing, delivery, marketing, sales, monitoring) or of the investment value chain (e.g. issuer, benchmark/rating provider, investment firms, etc.).

5) Greenwashing may occur in specific disclosures required by the EU sustainable finance regulatory framework (e.g. SFDR Article 9 product-level disclosure requirements). Greenwashing may also occur as a result of non-compliance with general principles – as featured either in general EU financial legislation or more specifically in EU sustainable finance legislation (e.g. the requirement to provide information that is fair, clear and not misleading). In that context, greenwashing may occur in relation to entities that are currently outside of the remit of the EU sustainable finance legislation as it currently stands (e.g. ESG ratings).

6) Greenwashing can be triggered by the entity to which the sustainability communications relate or by the entity responsible for the product, or it can be triggered by third parties (e.g., ESG rating providers or third-party verifiers).

7) If not addressed, greenwashing will undermine trust in sustainable finance markets and policies, regardless of whether immediate damage to individual consumers or investors (in particular through mis-selling) or the gain of an unfair competitive advantage has been ascertained.

*Question A. 1: Please provide your views on whether the above-mentioned core characteristics of Greenwashing reflect your understanding of and/or experience with this phenomenon and whether you have anything to add/amend/remove*

ESBG would like to stress 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.

However, ESBG regrets that the already existing EU requirements (contained in legislations such as the EU Taxonomy Regulation, SFDR and MiFID II) and interpretations are currently based on a different understanding of sustainability and also that the relevant regulations are not always clearly interlinked. **This can lead to inconsistencies in interpretations**, legal uncertainty, lack of acceptance, and even "greenwashing" accusations, which can also give rise to civil liability issues. **In the interest of customers as well as banks, savings banks and issuers of financial products, ESBG believes that there is an urgent need for harmonization of the understanding of sustainability within the framework of European legislations and supervisory practices**.

In ESBG's views, a clear and scientifically comprehensible uniform legal definition of sustainability is a mandatory prerequisite in order to be able to present sustainability features in investment products in a legally secure, credible and transparent manner and to advise investors accordingly. Issuers, banks, and customers must be able to understand directly how "sustainability" is defined and what makes their investment "green" or "social" and how the criteria of good corporate governance are taken into account. This clarity should also be achieved through consistency and regulatory stability. In other words, ESBG deems necessary to avoid the implementation of too many evolving standards which will lead eventually to different evaluations over time (i.e. what is required in order to be considered as “greenwashing compliant” now will not be necessarily the same in five years time because of evolving or stricter interpretations).

*Question A. 2: Do you have or use a specific definition of greenwashing as part of your activities? If so, please share this definition.*

No.

## 2. Dimensions of greenwashing

*Question A. 3: Market participants could potentially play three main different roles (trigger, spreader, receiver) in any given occurrence of greenwashing. For instance, a corporate issuer can trigger greenwashing by understating its carbon emissions. This misleading claim could be communicated to both investment managers, ESG data providers and/or other market participants some of whom might continue to spread the misleading claim to the end investors/consumers, who will be the receiver of greenwashing.*

*Question A. 3.1: Do you agree that market participants could be involved in three different ways in greenwashing, as described above?*

***a) Yes***
*b) No*

*Question A. 3.2: If no, could you please further elaborate on the roles market participants could play in greenwashing, including on potential alternative or additional roles to the ones identified above?*

Another dimension of greenwashing is the topic of a given sustainability-related claim, which can be grouped into 3 broad topics. These can be applicable to various sectors across the sustainable value chain and can be cross-cutting at entity- and product-level. However, this does not mean that all of these 3 categories necessarily lead to greenwashing in all sectors. Moreover, it is important to note that one given claim can fall under several topics, for instance an entity making claims about targeting positive impact on climate change can be split into its actual strategy around creating positive impact (falling under Topic 2), its governance around monitoring and implementing this strategy including dedicated staff composed of impact analysts (Topic 1), while the actual metrics referenced to measure the impact would fall under Topic 3. Furthermore, greenwashing can occur in relation to an isolated claim about one of the topics listed below or it may relate to a combination of claims which in aggregate constitute greenwashing.

*Question A.4 : Please indicate the degree to which you consider each topic described above, as prone to the occurrence of greenwashing. Please provide a score from 1 to 5 (where 1 = very low occurrence ; 2 = low occurrence ; 3 = neutral ; 4 = high occurrence ; 5 = very high occurrence)*

*a) Board and senior management's role in sustainability (Topic 1, i)* ***= 2***
*b) ESG corporate resources and expertise (Topic 1, ii)* ***= 1***
*c) ESG strategy, objectives, characteristics (Topic 2, i) 1* ***= 2***
*d) Sustainability management policies (Topic 2, ii) 1* ***= 2***
*e) ESG qualifications / labels / certificates (Topic 2, iii)* ***= 2***
*f) Engagement with stakeholders (Topic 2, iv)* ***= 2***
*g) ESG performance to date (including metrics for impact claims) (Topic 3, i)* ***= 2***
*h) Pledges about future ESG performance (ESG targets, including net-zero commitments; transition plan, taxonomy alignment plans) (Topic 3, ii)* ***= 2***

*Question A.4.1: Please specify the underlying drivers of greenwashing in relation to the topics you scored higher.*

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| ESBG understands that ESG qualifications, labels and certificates could be a source of greenwashing where the market participant is a receiver. Pledges could also enter into conflict with future technical standards or stricter criteria that a new regulation could impose. Poor data quality, poor control, and audit, as well as rapidly evolving regulation (compliance risk), unreliability of unaudited counterparty sustainability claims (counterparty risk), unvalidated models for climate risks (model risk), false on not fully reviewed ESG statements (conduct risk) can also lead to greenwashing practices. |

*Question A.5 : For the same list of topics listed in the previous question, please provide a score from 1 to 5 on the potential harm/impact of a misleading claim made on that topic (where 1 = very low impact ; 2 = low impact ; 3 = neutral ; 4 = high impact ; 5 = very high impact).*

*a) Board and senior management's role in sustainability (Topic 1, i)* ***= 4***
*b) ESG corporate resources and expertise (Topic 1, ii)* ***= 3***
*c) ESG strategy, objectives, characteristics (Topic 2, i)* ***= 3***
*d) Sustainability management policies (Topic 2, ii)* ***= 3***
*e) ESG qualifications / labels / certificates (Topic 2, iii)* ***= 1***
*f) Engagement with stakeholders (Topic 2, iv)* ***= 1***
*g) ESG performance to date (including metrics for impact claims) (Topic 3, i)* ***= 2***
*h) Pledges about future ESG performance (ESG targets, including net-zero commitments; transition plan, taxonomy alignment plans) (Topic 3, ii)d* ***= 2***

*Question A.5.1: Please explain what types of impacts or harm and their consequences you anticipate as a result of greenwashing practices.*

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| Based on their experiences, ESBG members stress that there can be several types of impacts and consequences as a result of greenwashing practices. For instance, this could lead to potential sanctions for non-compliance with disclosure requirements (SFDR), taxonomy, green/social bonds' standards (in ODS bonds' issuance); potential demands/claims regarding products and services' commercialization and assets' management (lack of transparency, misleading information, etc), and ESG targets and commitments assumed at entity-level (in case of failure to achieve them).<br>Other consequences of such practices can be the loss of investor confidence as well as higher reputational and liability risks. |

*Question A.6: In addition to the three topics and eight sub-topics above, do you identify any additional topics which would be relevant to potential greenwashing issues? If yes, please provide below more information on your answer including, if possible, a short example.*

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| ESBG members would like to insist on the fact that greenwashing can also be facilitated by the existence of a large amount of complex ESG information and data that needs to be provided to investors and clients (therefore resulting in an information overload).<br>Another challenge for banks is to find a compromise between a)how to make stakeholders in the financial value chains responsible for their part of the information provided and b) avoiding to trigger unreasonable efforts to validate the information received. |

*Question A.7: Please indicate below if you have any additional comments regarding the rlevance of the above topics on which sustainability-related claims are made in the context of a given sector or entity.*

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*Question A.8: On a scale from 1 (i.e. "not relevant") to 5 ("very relevant"), please indicate the extent to which you find each of the misleading qualities of a sustainability-related claim listed below relevant to greenwashing practices*

*a. Selective disclosure or hidden trade-off (cherry-picking positive information and/or omitting relevant negative information);* ***= 4***
*b. Empty claims (exaggerated claims and/or failure to deliver on such claims);* ***= 3***
*c. Omission or lack of disclosure;* ***= 2***
*d. Vagueness or ambiguity or lack of clarity;* ***= 3***
*e. Inconsistency across various disclosures and communications (marketing, regulatory, website, etc.);* ***= 2***
*f. Lack of fair and meaningful comparisons, thresholds, scenarios and/or underlying assumptions; = 2*
*g. No proof (unsubstantiated);* ***= 2***
*h. Misleading /Suggestive non-textual imagery and sounds (including the use of specific colours like green);* ***= 2***
*i. Irrelevance;* ***= 1***
*j. Outdated information* ***= 1***
*k. Misleading / suggestive use of ESG-related terminology (naming-related greenwashing).* ***= 3***
*l. Outright lie (falsehood)* ***= 5***

*Question A.8.1: should any of the qualities be added, amended or deleted from the list and if so, why?*

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*Another dimension of greenwashing is represented by the channels through which sustainability-related claims are communicated to other actors in the sustainable value chain.*
*These channels include, but are not limited to, the following: (1) Regulatory documents (including Key Investor Documents or Key Information Documents (KIDs), prospectuses, financial statements, management reports, non-financial statements, benchmark statements and methodology documents, insurance—product information documents, pension benefit statements, etc.) or regulatory disclosures, (2) Ratings19/benchmarks/labels, (3) Product information (including internal classifications and internal target market, product testing and distribution strategy related documentation), (4)*

*Intermediary/advice information, (5) Marketing materials (including website, social media), (6) Voluntary reporting, falling outside previous categories as reported on a voluntary basis.*

*<u>Question A.9: Regarding the above dimension and the list of channels through which misleading claims can be communicated to other segments of the sustainable value chain, please indicate the likelihood that a given channel serves to communicate misleading sustainability claims made at entity level and/or at product/service level. Please score each channel from 1 (rather unlikely) to 5 (very likely):</u>*

*a) Regulatory documents (including Key Investor Documents or Key Information Documents, Prospectuses, Financial statements, Management Reports, Non-Financial Statements, Benchmark statements and methodology documents, insurance-product information documents, pension benefit statements, etc.) and/or any mandatory disclosures,* ***= 1***
*b) Ratings (ESG ratings and/or other ESG data products),* ***= 2***
*c) Benchmarks,* ***= 1***
*d) Labels* ***= 1***
*e) Product information (including internal classifications, and internal target market, product testing and distribution strategy related documentation),* ***= 1***
*f) Intermediary/advice information,* ***= 1***
*g) Marketing materials (including website, social media, advertising)* ***= 2***
*h) Voluntary reporting, falling outside previous categories as reported on a voluntary basis,* ***= 1***
*i) Other (please specify).*

*<u>Question A.9: Please indicate below if you have any comments regarding the communication channels of potentially misleading sustainability-related claims?</u>*

It is ESBG's assesment that since the content of prospectuses and product information is already heavily regulated and issuers face significant civil liability risks in the event of misinformation, **deliberate misinformation via these channels seems unlikely**. However, a prerequisite for correct investor information is that the legal requirements for presenting sustainability criteria are clear and practicable for issuers to implement. The same logic applies to the area of investment advice. The risk of misinformation appears to be higher in the area of legally unregulated information channels (such as advertising campaigns via social media) or in the area of the gray capital market.

*In addition to the different channels of transmission of claims, greenwashing can also occur at various stages of the product lifecycle, including: the product manufacturing stage (product development, product design, market targeting), the product delivery stage (marketing, product-related disclosure, distribution, sales), the product management stage (product monitoring/review, ongoing product-related disclosure). Beyond the product lifecycle, greenwashing can occur at the entity-level: in the business model (value chains, group structures, innovation and technology, outsourcing) or in the business management (culture, governance arrangements, systems and processes)*

*<u>Question A.10: For each of the stages of product lifecycle and with regard to the business model and management, please indicate the likelihood of the occurrence of greenwashing. Please provide scores ranging from 1 (rather unlikely) to 5 (very likely):</u>*

*a. Product manufacturing* ***= 2***
*b. Product delivery – marketing: advertisements, non-regulatory information* ***= 2***
*c. Product delivery – regulatory disclosure* ***= 1***
*d. Product delivery – distribution channels* ***= 1***
*e. Product delivery – sales: information asymmetry (this includes under or over emphasis of certain product features)* ***= 2***
*f. Product delivery – sales: misselling due to misleading information/disclosure* ***= 2***
*g. Product delivery – sales: misselling due to unsuitable product* ***= 1***
*h. Product delivery – sales: incentives at point of sale* ***= 1***
*i. Product management – product monitoring, product review, ongoing product disclosure* ***= 1***
*j. Business model at entity level – value chain, group structure, innovation/digitalization, outsourcing* ***= 1***
*k. Business management at entity level – culture, governance arrangements, systems and*

*processes* ***= 1***

*Question A.10.1: Please indicate below if you have any comments on the above question.*

*Question A.11: Are there any relevant elements or features of greenwashing which have not been referenced in the questions above? And if yes, could you please provide below more information?*

ESBG does not believe that this is the case.

## B. Example of potential greenwashing practices

*Question A.12: Are you able to identify and characterize at least one example of potential greenwashing practice?*

***a) Yes, I can provide at least one example of potential greenwashing practice.***
*b) No, I cannot identify a specific example of potential greenwashing practice*

*Question A.12.1: (If no) If you have not identified occurrences of greenwashing, what is the reason for that? [multiple choice]*

*a) There is no specific methodology on how to detect (potential) greenwashing cases*
*b) As sustainable finance requirements (including definitions and disclosure standards) are new/not in force yet, greenwashing is hard to detect*
*c) Few or no products with sustainability features are offered in my jurisdiction / entity / area of interest, decreasing the risk of greenwashing*
*d) I have not encountered any instances of greenwashing.*
*e) Other*

*Question A.12.2: (If yes) if you have, briefly describe this example of potential greenwashing practice, including the potentially misleading sustainability-related claims identified, a short description of the product, service or entity (as applicable) and of the claim. Please also provide information on how you identified / found out about this case.*

ESBG believes that the following cases of potential greenwashing practices must be paid attention to:

**Traceability of the use of proceeds**: Every year, corporates issuing ESG debt, must publish an allocation report on the reconciliation of ESG debt issued and traceability of the use of proceeds to specific ESG eligible projects, as stablished in the different ESG financing principles ("Green/Climate/Social/ESG-linked Principles & EU – Green Bond Standards"). However, some corporates follow a portfolio-based reporting, instead of a project-by-project approach, in this regard, it is not clear and standardized to track the use of proceeds of a specific transaction.

**RISK OF DOUBLE ACCOUNTABILITY - FINANCING VS REFINANCING**: Furthermore, other parameters such as the look-back period, look-forward period, and the re-financings of ESG assets are not clearly stated in the allocation reports of corporates. In this sense, the risk of double accountability increases.

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*<u>Question A.12.3:</u> <u>Please indicate if you consider this as an example of potential entity-level or product/service-level greenwashing practice:</u>*

*a) Entity level.*
*b) Product / service level.*
*c) Both entity and product / service level.*
***d) Not enough information to determine this**.*

*<u>Question A.12.4: In case of product / service level example, what was the asset class/ type of financial product in question? [multiple choice]:</u>*

*a) Equity (Common shares, other equity instruments)*
*b) Fixed income (Green Bonds, Social Bonds and other Use of Proceeds (UoP) bonds, Sustainability-linked bonds, Common corporate bonds, Common government bonds or other fixed income securities)*
*c) Derivatives (ESG derivatives including those with an ESG underlying and with an ESG performance target, other derivatives)*
*d) Alternative investments (infrastructure, private equity)*
*e) Funds, such as UCITS funds and AIFs (excluding ETFs), ETFs, Private Equity funds or other funds (e.g. Hedge Funds, ELTIFs); Benchmarks, such as PAB and CTB Climate Benchmarks, other climate benchmarks or ESG benchmarks*
*f) Other MiFID II instruments (Securitisations)*
*g) Insurance-based investment products (IBIPs) (including those with sustainability features),*
*h) Other life insurance products*
*i) Non-life insurance products*
*j) Pan-European personal pension product (including those with sustainability features)*
*k) Occupational pension scheme*
*l) Corporate finance including project finance or specialised lending,*
*m) Loan to retail and SMEs including consumer loans, mortgages,) credit cards*
*n) Payment services (including online)*
*o) Other products or services (please specify)*
***p) Not enough information to determine this***

*<u>Question A.12.5: Please indicate the sectors by which this example of potential greenwashing practice was triggered: [multiple choice]</u>*

***a) Issuers (other than credit institutions)***
***b) ESG data and rating providers***
***c) Credit rating agencies***
*d) Benchmark administrators*
*e) Investment services providers*
*f) Investment managers*
*g) Insurance undertakings*
*h) Insurance intermediaries*
*i) Occupational pension schemes providers*
*j) Pension funds*
*k) PEPP manufacturers*
*l) PEPP distributors*
*m) Credit institutions*
*n) Payment service providers*
*o) Not enough information to determine this*
*p) Other (please specify)*

<u>*Question A.12.9: Please identify the most relevant topic(s) in this example of potential greenwashing practice [multiple choice]:*</u>

*a) Board and senior management's role in sustainability (Topic 1, i)*
*b) ESG corporate resources and expertise (Topic 1, ii)*
*c) ESG strategy, objectives, characteristics (Topic 2, iii)*
*d) Sustainability management policies (Topic 2, iv)*
*e) ESG qualifications / labels / certificates (Topic 2, i)*
*f) Engagement with stakeholders (Topic 2, ii)*
***g) ESG performance to date (including metrics for impact claims) (Topic 3, i)***
*h) Pledges about future ESG performance (ESG targets, including net-zero commitments; transition plan, taxonomy alignment plans) (Topic 3, ii)*

<u>*Question A.12.10: Please identify the most relevant misleading characteristics of communication in this example of potential greenwashing practice [multiple choice]:*</u>

*a) Selective disclosure or hidden trade-off*
*b) Empty claims (exaggerated claims and/or failure to deliver on claims)*
***c) Omission or lack of disclosure***
***d) Vagueness or ambiguity or lack of clarity***
*e) Inconsistency across various disclosures and communications (marketing, regulatory, website, etc)*
***f) Lack of fair and meaningful comparisons, thresholds and/or underlying assumptions***
*g) No proof (unsubstantiated)*
*h) Misleading / suggestive non-textual imagery and/or sounds*
*i) Irrelevance*
*j) Outdated information*
*k) Misleading / suggestive use of ESG-related terminology (naming-related greenwashing)*
*l) Outright lie (false)*
*m) Other (please specify)*

<u>*Question A.12.11: Please identify the communication channels through which this example of potential greenwashing practice have been communicated [multiple choice]:*</u>

*a) Regulatory documents (including Key Investor Documents or Key Information Documents, Prospectuses, Financial statements, Management Reports, Non-Financial Statements, Benchmark statements and methodology documents, insurance-product information documents, pension benefit statements, etc.) and/or any mandatory disclosures*
***b) Ratings (ESG ratings and/or other ESG data products),***
*c) Benchmarks,*
*d) Labels,*
*e) Product information (including internal classifications, and internal target market, product testing and distribution strategy related documentation),*
*f) Intermediary/advice information,*
*g) Marketing materials (including website, social media, advertising),*
***h) Voluntary reporting, falling outside previous categories as reported on a voluntary basis,***
*i) Other (please specify)*

<u>*Question A.12.12: Please indicate below if the potential greenwashing practice relates to a stage of the product lifecycle or to business model/management [multiple choice]:*</u>

*a) Product manufacturing*
*b) Product delivery – marketing: advertisements, non-regulatory information*
*c) Product delivery – regulatory disclosure*
*d) Product delivery – distribution channels*
*e) Product delivery – sales: information asymmetry (this includes under or over emphasis*

*of certain product features)*
*f) Product delivery – sales: misselling due to misleading information/disclosure*
*g) Product delivery – sales: misselling due to unsuitable product*
*h) Product delivery – sales: incentives at point of sale*
*i) Product management – product monitoring, product review, ongoing product disclosure*
*j) Business model at entity level – value chain, group structure, innovation/digitalization, outsourcing*
*k) Business management at entity level – culture, governance arrangements, systems and processes)*
***l) Not enough information to determine this***
*m) Other (please specify)*

*Question A.12.13: Is the example of the potential greenwashing practice related to any of the following situations? [multiple choice]*

*a) Mis-selling (i.e. transaction or investment decisions not actually reflecting the actual preferences of the consumer or investor)*
***b) Misclassification***
*c) Mis-labelling*
*d) Naming*
*e) Market-abuse (typically consists of insider dealing, unlawful disclosure of inside information and market manipulation)20*
*f) Other (in that case, please specify below)*

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*Question A.12.14: Is this example of potential greenwashing practice the result of a lack of compliance with current EU or national sustainable finance legislation requirements?*

*a) Yes (please explain below)*
*b) No*
***c) Partially (please explain below)***
*d) Do not know*

ESBG assesses that some potential greenwashing practices are related to EU voluntary frameworks. Indeed, these frameworks have different classification systems to allow an activity to be considered as elegible for sustainable financing.

As stated before, ESBG believes that greenwashing can often result from a complex EU regulatory landscape. Consistent regulatory requirements for financial products with sustainability features are a mandatory prerequisite in order to be able to present sustainability features in products in a legally secure, credible and transparent manner and to advise investors accordingly.

*Question A.12.15: Does this example of potential greenwashing practice relate to a third country entity providing financial services in the EU?*

*a) Yes (if so, please explain below)*
***b) No***

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*Question A.12.17: Would you like to add another example of potential greenwashing practice?*

*a) Yes*
***b) No***

*Question A.13: Do you want to raise any additional points that was not included in this survey?*

# PART 2 – EBA section of the CfE

*Question 1: In the context of ESAs' work on greenwashing, claims on environmental (e.g.,climate-related) and/or social (e.g., human rights) and/or governance (e.g. director's uties) topics are considered. Based on your experience/knowledge, please indicate which of the following topics may be prone to the occurrence of greenwashing practices by EU banks, investment firms and payment service providers. [For each of the following items, please provide a score from 1 (i.e. 'unlikely') to 5 (i.e.'extremely likely']:*

*a. misleading claim on E topics*
*b. misleading claim on S topics*
*c. misleading claim on G topics*
*d. misleading claim on combined E and S topics*
*e. misleading claim on combined S and G topics*
*f. misleading claim on combined E and G topics*
*g. misleading claim on combined ESG topics*
***h. do not know***

*Please, briefly elaborate your assesment:*

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*Question 2: In the context of credit institutions, please indicate which of the following areas may be prone to the occurrence of greenwashing practices? [For each of the following tems, please provide a score from 1 (i.e. 'unlikely') to 5 (i.e. 'extremely likely'].*

*a. Institution level*
- *i. Green/ sustainability-related claim on the business strategy* ***=1***
- *ii. Green/ sustainability-related claim on the corporate governance* ***=1***
- *iii. Green/ sustainability-related claim on other entity-specific aspects [specify]* ***=1***

*b. Product and service level*
- *i. Green/ sustainability-related claim on the objectives and/or characteristics of retail and SME banking products and services including,*
  - *consumer loans* ***=1***
  - *mortgages* ***=1***
  - *deposits* ***=1***
  - *other [specify]*
- *ii. Green/ sustainability-related claim on the objectives and/or characteristics of corporate and investment banking products and services including,*
  - *specialised lending and project finance* ***=1***
  - *venture capital and private equity* ***=1***
  - *corporate bonds* ***=1***
  - *sustainability linked bonds* ***=3***
  - *portfolio management and investment advice* ***= 1***
  - *other [specify]*
- *iii. Green/ sustainability-related claim on the objectives and/or characteristics of own funds, funding and liquidity instruments including,*
  - *capital instruments (common equity, other equity)* ***=1***
  - *fixed income instruments*
    - *- green or social use of proceeds bonds,* ***= 2***
    - *- sustainability-linked bonds,* ***= 3***
    - *- regular bonds* ***=1***
  - *securitisations* ***=1***
  - *covered bonds* ***=1***
  - *other [specify]*
- *iv. Financing of governments, regional authorities and public sector entities* ***=1***
- *v. Payment account and (online) payment services* ***=1***
- *vi. Other [specify]*

*Please, briefly elaborate your assesment:*

**Sustainability linked bonds**: As for the ESG-linked financing instruments issued under the Sustainability-Linked Bond/Loan Principles, companies and financial entities are entitled to link the Bond/Loan characteristics to the achievement or of a specific ESG key performance indicator (KPI). However, there is still a lack of common criteria for financial entities to understand the level of ambition of the corporate KPIs proposed. For example: According to their Sustainability-Linked Financing Framework, Philip Morris International has considered a 50% smoke-free/total net revenues by 2025, & 100 markets where smoke-free products are available for sale by 2025 as the two ESG KPIs to link their corporate ESG financing. This could be seen as an alternative route to classify bond portfolios as ESG aligned.

**Green or social use of proceeds bonds**: Every year, corporates issuing ESG debt, must publish an allocation report on the reconciliation of ESG debt issued and traceability of the use of proceeds to specific ESG eligible projects, as stablished in the different ESG financing principles ("Green/Climate/Social/ESG-linked Principles & EU – Green Bond Standards"). However, some corporates follow a portfolio-based reporting, instead of a project-by-project approach, in this regard, it is not clear and standardized to track the use of proceeds of a specific transaction. Furthermore, other parameters such as the Look-back period, look-forward period and the re-financings of ESG assets are not clearly stated in the allocation reports of corporates. In this sense, the risk of double accountability increases.

*<u>Question 3: In the context of investment firms please indicate which of the following areas may be prone to the occurrence of greenwashing practices? [For each of the following items, please provide a score from 1 (i.e. 'unlikely') to 5 (i.e. 'extremely likely'].</u>*

*a.Institution level*
*i. Green/ sustainability related claim on the business strategy* ***=1***
*ii. Green/ sustainability related claim on the corporate governance* ***=2***
*iii. Green/ sustainability related claim on other entity-specific aspects [specify]* ***= 1***
*b. Product and service level*
*i. Green/ sustainability related claim on portfolio management and investment advice* ***=1***
*ii. Green/ sustainability related claim on underwriting of financial products* ***=1***
*iii. Green/ sustainability related claim on trading on own account* ***=1***
*iv. Green/ sustainability related claim on payment services (e.g.offsetting, clearing, reception transmission of orders)* ***=1***
*v. Green/ sustainability related claim on other [specify)* ***=1***
*Please, briefly elaborate your assesment:*

**Proxy voting inaction:** Asset Management firms with voting shares in various companies, which do not use these voting shares to push companies to become more sustainable.

*<u>Question 5: Please fill-in the table below on a best effort basis with some illustrative examples of potential greenwashing (one cell can include several examples)</u>*

| | | **At product level** | | | | **At entity level** | |
|---|---|---|---|---|---|---|---|
| | Retail banking | Corporate Banking | Investment services | Payment services and electronic currencies | Own funds, funding and liquidity instruments | Business strategy | Internal corporate governance |
| Misleading statements on the current sustainability characteristics | e.g., Incorrect disclosures on EU taxonomy | **A NEED FOR COMMON UNDERSTANDING OF "GREEN"** | **SELECTION OF CONSTITUENT OF ART.** | | | **DEFICIENT INTERNAL CONTROL SYSTEMS FOR NON-FINANCIAL** | |

| | | | | | | | |
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| (i.e. how sustainability is taken into account in the current objective, design, practice or strategy) e.g., Incorrect disclosures on EU taxonomy alignment (green asset ratio) of mortgages and car portfolios | alignment (green asset ratio) of mortgages and car portfolios | **DEBT**: When engaging in sustainable financing with clients, sustainable financing frameworks, do currently rely on different principles ("Green/Climate/Social/ESG-linked Principles" develped by ICMA, LMA, CBI…). This frameworks have different classification systems to consider an activity as elegible for sustainable financing. However, the classification of loans and bonds (specially those in the EU seconday bond market) should be based on common European ESG criteria/thresholds to avoid greenwashing (for example: the EU-Green Bond Standards linked to the EU Taxonomy "pure green financing"). Currently, investors seem to find difficult to differenciate the level of | **9 SFDR FUNDS**:<br><br>Potential incorrect internal classification of assets/equity/debt as sustainable consituent in Art. 9 SFDR investment vehicles, as the current regulatory framework does not yet allow to have a clarification on the exact criteria to qualify a sustainable asset | | | **INFORMATION (BACK-TESTING):**<br><br>Incorrect disclosures on EU taxonomy alignment (green asset ratio) and inefficient management and monitoring of corporate commitments regarding the alignment with the EU taxonomy, corporate climate pledge, ESG impact reporting, and climate neutrality commitments. | |

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| | | green of a debt instrument.<br><br>**ASSESSMENT OF THE MINIMUM LEVEL OF AMBITION**: As for the ESG-linked financing issued under the Sustainability-Linked Bond/Loan Principles, companies are entitle to linked the Bond/Loan charateristics to the achievement of a specific ESG KPI. However, there is still a lack of common criteria for financial entities to understand the level of ambition of the corporate KPIs proposed.<br><br>**LACK OF ADDITIONALITY & FURTHER ESG IMPACT**: In addition, the ESG KPIs proposed by corporates could be linked to several debt issuances, in this regard, an already committed corporate target would lack a further | | | | | | |

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| | | ESG positive impact. | | | | | |
| Misleading statements on the sustainability results and/ or 'real world' impact of a product, service, financial instrument, or entity. | | **THE ROLE OF ESG RATING AGENCIES**: The ESG agencies responsible of providing Second Party Opinions (SPO) to specific corporate ESG financing frameworks does not have common methodologies on the interpretation of the level of alignment with the"Green/Climate/Social /ESG-linked Principles". Also, most of the Second Party Opinions are linked to corporate ESG financing frameworks and not to specific transactions, in this sense, a thorough due dilligence must be performe from the Financial Institutions to understand the level of ambition of the proposed ESG financing, besides having a | **DATA QUALITY ON PRINCIPAL ADVERSE IMPACT REPORTING**: Potential innability to calculate the PAIs of the Art.8 & Art. 9 investment vehicles, as some proxies may be yet neccesary to estimate some impacts for companies/assets. | | | | |

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| | | positive SPO in place.<br><br>**TRACEABILITY OF USE OF PROCEEDS**: Every year, corporates issuing ESG debt, must publish an allocation report on the reconciliation of ESG debt issued and trazability of the use of proceeds to specific ESG elegible projects, as stablished in the different ESG financing principles ("Green/Climate/Social/ESG-linked Principles & EU – Green Bond Standards").<br><br>However, some corporates follow a portfolio-based reporting, instead of a project-by-project approach, in this regard, it is not clear and standardized to track the use of proceeds of an specific tranaction.<br><br>**RISK OF DOUBLE ACCOUNTABILITY - FINANCING VS** | | | | | |

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| | | **REFINANCING**: Furthermore, other parameters such as the Look-back period, look-forward period and the re-financings of ESG assets are not clearly stated in the allocation reports of corporates. | | | | | |
| Misleading statements on the future sustainability commitments relying on medium and/or long- 28 term plan (e.g., future GHG emissions reduction, transition to carbon neutrality) | e.g., Companies making public commitments to reduce scope 3 emissions and/or reach net zero emissions for a given retail portfolio (e.g., mortgages, car loans) but transition plan is not credible | | **PROXY VOTING INACTION:** Asset Management firms with voting shares in various companies, which do not use these voting shares to push companies to become more sustainable. | | | | |



*<u>Question 6: In your view, the materiality of greenwashing by credit institutions, is: (please elaborate below)</u>*

*a. currently: **low**, medium, high, I do not know?*
*b. going forward: **low**, , high I do not know?*

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| According to the internal assessment exercise conducted by some of ESBG members, the materiality of greenwashing within the operational risk (which reflects the losses due to the ineadequate practices with clients and products) has been assesed to be low currently, although within the horizon of four years it might change to medium if there is not more consistency between EU regulatory's requirements on this issue. On the contrary, if more consistency is implemented through EU standards, it is likely that this would bring more legal security and, hence, it may decrease the materiality of greenwashing in credit institutions in the medium-term. |

*<u>Question 7: In your view, the materiality of greenwashing by investment firms is: (pelase elaborate below)</u>*

*a. currently: , medium, high, **I do not know**?*

*b. going forward: low, , high, **I do not know**?*

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*Question 8: In your view, the materiality of greenwashing by payment service providers is: (pelase elaborate below)*

*a. currently: low, medium, high, I do not know?*
*b. going forward: low, medium, or high, I do not know?*

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*Question 9: Greenwashing can also generate financial risks to institutions. For credit institutions, what would be the risks most impacted by greenwashing? [For each of the following items, please provide a score from 1 (i.e. 'irrelevant') to 5 (i.e. 'extremely relevant') and elaborate if deemed appropriate].*

*a. Operational risk including losses related to litigation and liability risks **= 3***
*b. Conduct risk **= 3***
*c. Reputational risk **= 3***
*d. Strategic and business risk **= 3***
*e. Funding risk **= 3***
*f. Liquidity risk **= 2***
*g. Credit risk **= 3***
*h. Market risk **= 2***
*i. Other [specify*

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| According to ESBG's views, greenwashing leads in particular to **reputational risks** for the institution if it has itself engaged in greenwashing or has unwittingly distributed affected products. These reputational risks are often a component of "OpRisk" and are frequently attributable to the occurrence of an operational risk. In addition, market price risk could be affected if the institution is invested in affected companies. Even though reputational risk is generally the most affected, the actual financial impact is estimated to be low. |

*Question 10: In your view, the potential overall impact of greenwashing (understood here as any detriment that greenwashing may cause, including in terms of financial implications but not limited to) is:*

*a. for the credibility of sustainable financial markets: low, medium, high, I do not know? **= 3***
*b. for end-investors: low, medium, high, I do not know? **= 1***
*c. for individual customers: low, medium, high, I do not know? **= 1***
*d. for individual institutions (for example, in terms of impact on revenues or financial losses): low, medium, high, do not know? **= 1***
*e. For national (if applicable) financial stability (for example, in terms of impact on the functioning and stability of financial markets), low, medium, high, do not know? **= 1***
*f. For the EU financial stability (for example, in terms of impact on the functioning and stability of financial markets): low, medium, high, do not know? **= 1***

*Please elaborate your assesment:*

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*Question 11: What are the main challenges to address greenwashing risk? [For each of the following items, please provide a score from 1 (i.e., 'irrelevant') to 5 (i.e., 'extremely relevant')?*

*a. Lack of relevant and reliable data on the sustainability credentials, performance and/or impacts* **= 3**
*b. Uncertainty/ambiguity about sustainability standards, sustainability benchmarks, and sustainability eligibility criteria* **= 3**
*c. Lack of internal resources and knowledge to implement and monitor sustainability standards* **= 2**
*d. Lack of third-party verification or supervision* **= 2**
*e. Inappropriate legal basis and tool to investigate and take legal actions against greenwashing* **= 2**
*f. Other [specify]*

*Please briefly elaborate on your assessment*

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| ESBG members assess that the main challenges to address greenwashing risks are notably the existence of highly complex and uncoordinated regulatory requirements as well as the different definitions of sustainability at EU-level, which makes it difficult to offer products with sustainability features in a legally secure manner. |

*Question 12: For institutions, which of the following types of tools and processes are used internally to address greenwashing?*

*a. tools and processes for greenwashing specifically*
***b. tools and processes related to regular business conduct, risk management and regulatory compliance***
*c. None*

*Please briefly elaborate on your assessment*

*Question 13: For institutions, what are the most important tools and processes you have in place (or are planning to put in place) to limit and address greenwashing risk. [For each of the following items, please provide a score from 1 (i.e., 'irrelevant') to 5 (i.e., 'extremely relevant').*

*1. At institution level:*
*a. Monitoring of factors and events that may give rise to reputational concerns* **= 4**
*b. Code of conduct* **= 4**
*c. Remuneration policies for sales staff that aim at mitigating the risk of mis-selling* **= 4**
*d. Prudent communication for all sustainability -related communication* **= 5**
*e. Internal control mechanism* **= 5**
*e. Other [specify]*
*2. At the product/service level:*
*a. Applying market guidance and/or standards that contribute to anchor definitions and criteria* **= 4**
*b. Using external reviews and third verification parties*
*c. Establishing a clear list of eligible projects and activities for sustainability lending/finance* **= 5**
*d. Clear new product approval process and policy that applies to sustainability products* **= 5**
*e. Other [specify]*

*Please briefly elaborate on your assessment:*

*<u>Question 14: In your opinion, to what extent is (/will) the EU regulations (or projects) on sustainable finance[1] help addressing greenwashing risk within EU banks, investment firms and payment service providers? Please briefly elaborate on the expected benefits as well as on the potential shortcomings you may see in these regulations (/projects) presently?</u>*

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| Overall, ESBG welcomes these regulations as well as the objective they are pursuing since greenwashing is a challenge which must be addressed. Indeed, on the one hand, the existing regulatory requirements help to broaden the data base with regard to sustainability.<br>**On the other hand, these requirements can be extremely complex and are not always harmonized between one another**. This can therefore be counterproductive for achieving the actual goal of a sustainable orientation of the economy. ESBG would like to stress that the existence of too many non-harmonized regulatory requirements are a major cause of potential greenwashing because of the gaps and overlaps it creates. |

*<u>Question 15: Beyond the existing and forthcoming implementation of the EU sustainable finance regulations, what actions could be taken to further mitigate greenwashing risk? For each of the following items, please provide a score from 1 (i.e., 'irrelevant') to 5 (i.e., extremely relevant').</u>*

*a. Develop further labels*
*b. Improve supervisory oversight*
*c. Develop regulatory guidance*
*d. Further increase transparency*
*e. Other [specify]* ***= 4***

*Please, elaborate below:*

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| It is ESBG's belief that one of the best solution to mitigate greenwashing would be the implementation of clear, simple and uniform definitions and specifications when it comes to sustainability regulations and requirements. |

[1] Taxonomy regulation, EU Green bond standards, SFDR, Pillar 3 ESG risks requirements under CRR, CSRD.

# PART 3 – EIOPA section of the CfE

*Question 1: Please outline below whether the occurrence of greenwashing can also lead to other risks for insurance or pension providers (e.g., reputational risks, litigation risks, solvency risks)*

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*Question 2: Do you have governance processes to prevent and monitor greenwashing in your institution (e.g., sustainable finance committee)?*

*a. Yes*
*b. No, but you are planning to*
*c. No*

*If you are planning to have internal governance processes to monitor greenwashing, please provide more information below.*

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*Question 3: Do you have internal tools to monitor greenwashing in your institution (e.g., systems and controls and/or key risk indicators flagging potential greenwashing)?*

*a. Yes*
*b. No, but you are planning to*
*c. No*

*Question 3.1: If you have or are planning to have internal tools allowing the monitoring of greenwashing, please indicate below to what product this monitoring/reporting relates to [multiple choice]:*

*a. Insurance: Life product*
*b. Insurance: Non-life product*
*c. Insurance: Entity-level greenwashing (this includes a mis-alignment between public commitments and actual investments or underwriting practices)*
*d. Insurance: All*
*e. Pension: Occupational pension scheme*
*f. Pension: Entity/fund-level greenwashing*
*g. Pension: All*

*Question 3.2: If you have or are planning to have internal tools allowing the monitoring of greenwashing, please indicate below to what lifecycle stage this monitoring/reporting relates to [multiple choice]:*

*a. Manufacturing (product level)*
*b. Delivery (product level) – marketing and disclosure*
*c. Delivery (product level) – sales*
*d. Product management (product level)*
*e. Business model (entity level)*
*f. Business management (entity level)*

*Question 3.3: If you have or are planning to have internal tools allowing the monitoring of greenwashing, please provide more information below.*

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*Question 3.4: If you have no internal monitoring (governance processes and/or tools) of greenwashing and you are not planning on implementing such internal monitoring, please provide your rationale:*

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*Question 4: Do you have governance processes to monitor greenwashing in your institution (e.g., sustainable finance committee)?*

a. Yes
b. No, but you are planning to
c. No

*Question 4.1: If you have or are planning to have internal processes allowing the onitoring of greenwashing, please indicate below to what lifecycle stage this monitoring/reporting relates to [multiple choice]:*

a. Delivery (product level) – marketing and disclosure
b. Delivery (product level) – sales
c. Product management (product level)
d. Business model (entity level)
e. Business management (entity level)

*Question 4.2: If you have or are planning to have internal processes allowing the onitoring of greenwashing, please provide more information below*

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*Question 4.3: If you have no internal processes allowing the monitoring of greenwashing and you are not planning on implementing such internal monitoring, please provide your rationale*

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*Question 5: For the insurance and pensions sector, please indicate if the following types of claims can in your view give rise to greenwashing:*

*Question.5.1. Misleading claims about the impact of an entity, product or service on environmental or social factors (example: misleading claim about the impact of an entity's activities on the environment)*

a. Yes
b. No
c. I don't know

*Question 5.2. Misleading claims about the financial impact of sustainability risks on the entity or on the performance of the product or service (example: misleading claim about the impact of a natural catastrophe on the financial performance of a product)*

a. Yes
b. No
c. I don't know

*Question 5.3: If you said yes or no to question 5.1 and/or 5.2 please explain your reasoning below:*

*Question 6: In your view is this situation greenwashing, please explain in the below text box: An insurance/pension provider says that it is improving environmental and social factors via its investments in companies. This insurance/pension provider has consequential voting shares in various companies, but it does not use these voting shares to push these companies to become more sustainable.*

*Question 7: Are there any specificities related to greenwashing in the insurance sector that you would like to highlight? If so, please indicate them below:*

*Question 8: Are there any specificities related to greenwashing in the pension sector that you would like to highlight? If so, please indicate them below:*

# PART 4 – ESMA section of the CfE

## A. Understanding the drivers and the scale of greenwashing risk

*Question 1: Which of the elements listed below, do you consider to be the main driver(s) of greenwashing risks? Please provide a short explanation of your answer: [multiple answers allowed]*

*a) New / innovative ESG products in rapidly evolving ESG markets*
*b) Entry of new participants such as issuers of ESG products, ESG rating or data providers, etc.*
*c) Lack of ESG expertise and skills of market participants*
***d) A rapidly evolving regulatory framework***
***e) Differing interpretations of the regulatory framework***
*f) Desire to exaggerate the sustainability profile at entity/product or service level*
*g) Competition (wanting to be better than a comparable issuer/product)*
***h) Lack of reliable data***
***i) Mismatch between retail investors' expectations and market participants' ability to deliver real-world impact***
***j) Financial literacy***
*k) Other, please specify*

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| ESBG is of the view that the best way to fight greenwashing is to elaborate a simple and consistent framework vis-à-vis both its definition and requirements for investments firms . Therefore, a rapidly evolving framwork as well as an unclear one which can lead to differing interpretations are both drivers of greenwashing risks. ESGB would also like to stress the importance of the availability of reliable ESG-data for financial institutions in this regard. |

*Question 2: As stated before, this CfE uses the term greenwashing broadly, covering sustainability-related claims relating to all aspects of the ESG spectrum. While the sustainable finance legislation gives more prominence to environmental aspects, we would like to understand which aspects of the ESG spectrum may be more prone to greenwashing risks, at this stage? Please rate the three aspects below from 1 to 5 (where 1 = very low occurrence ; 2 = low occurrence ; 3 = medium occurrence ; 4 = high occurrence ; 5 = very high occurrence [multiple choice]*

*a) Environmental aspects* ***=1***
*b) Social aspects* ***=1***
*c) Governance aspects* ***=1***

*Question 3: Greenwashing may apply to claims at both entity- and/or product-level (including service-related). Based on your experience, we would like to understand which level may be more prone to greenwashing risks in various sectors. For each of the market segments listed below,, please select one of the four options, then please provide a short explanation:*

| Greenwashing practices are .. | 1) more likely at entity-level | 2) more likely at product/service-level | 3) equally likely at entity and product/service level |
|---|---|---|---|
| Investment manager | | | |
| Investment firms | | | |
| Issuers | | | |
| Benchmarks administrators | | | |
| Other | | | |

*Please, provide explanation below:*

*Question 4: For market segments which you see as more prone to greenwashing risks, please provide below any quantitative or qualitative data (and relevant links) you may have and that could help inform our understanding of the scale and frequency of potential greenwashing practices. You may also upload files if relevant in the next field.*

*Question 5: With regards to product-level sustainability-related claims, we want to better understand which asset classes, financial products categories may be more prone to greenwashing risks. For each of the asset classes and/or financial products regarding which your expertise is relevant, please provide a score from 1 to 5 (where 1 = very low occurrence ; 2 = low occurrence ; 3 = medium occurrence ; 4 = high occurrence ; 5 = very high occurrence of greenwashing). [ multiple answers allowed]:*

*a) Equity (common shares, other equity instruments)* ***= 2***
*b) Fixed income (green Bonds, Social Bonds and other Use of Proceeds (UoP) bonds, Sustainability-linked bonds, Common corporate bonds, Common government bonds or other fixed income securities)* ***= 1***
*c) Derivatives (ESG derivatives including those with an ESG underlying and with an ESG performance target, other derivatives)* ***= 1***
*d) Alternative investments (infrastructure, private equity)* ***= 1***
*e) Funds: UCITS funds and AIFs (excluding ETFs), ETFs, Private Equity funds or other funds (e.g. Hedge Funds, ELTIFs);* ***= 1***
*f) Benchmarks: Paris-aligned (PAB), Climate transitioning (CTB) Climate Benchmarks, other climate benchmarks or ESG benchmarks* ***= 1***
*g) Other MiFID II instruments (e.g. securitisations)* ***= 1***
*h) Other products/services (please specify)*

*Question 6: Greenwashing practices can be transmitted over more than one segment of the sustainable finance value chain. Various options are described below representing various greenwashing transmission trajectories of sustainability-related claims, where the first entity is always the trigger with subsequent entities being either in the role of spreader and/or receiver of claims. Based on you experience, we would like to understand which transmission trajectory may be more prone to greenwashing risks. Please provide a score for each transmission trajectory listed below from 1 to 5 (where 1 = very low occurrence ; 2 = low occurrence; 3 = medium occurrence; 4 = high occurrence; 5 = very high occurrence [ multiple answers allowed] (multiple responses possible)*

*a) Issuer X-Issuer Y26-Investor or benchmark administrator* ***= 2***
*b) Issuer- Benchmark Administrator-Investment manager – Investor* ***= 2***
*c) Benchmark administrators-MiFID II manufacturer (e.g. ETF provider)-Investment manager-investor* ***= 2***
*d) Benchmark administrators- Investment manager-Investor* ***= 2***
*e) Investment manager-Institutional Investment managers-27Investor* ***= 1***
*f) Investment manager-MiFID II Distributor (e.g. Investment firm) -Retail Investor* ***= 1***
*g) ESG rating provider-Investment manager-Investor* ***= 4***
*h) ESG rating provider-benchmark administrator -Investor* ***= 4***
*i) Issuer-Investment manager -Investor* ***= 1***
*j) Issuer - MiFID II Distributor (e.g. Investment firm) -Retail Investor* ***= 1***
*k) Other*

*Question 6.1: If the answer was k) other, please specify:*

## B. *Consideration of greenwashing risks by financial market participants and issuers*

*Question 7: Does your organisation perceive greenwashing as a potential source of risk?*

***a) Yes, and we have started developing a structured approach to tackling the issue***
*b) Yes, but we have not yet developed a structured approach to the issue*
*c) No*
*d) Other, if so specify*

| |
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| ESBG would like to highlight that another potential source of risk caused by greenwashing can be the loss of trust. |

*Question 7.1: If you answered a) or b) to Q7: what category of related risks do you anticipate could result from greenwashing issues? [multiple answers allowed]*

***a) Financial risks***
***b) Reputational risks***
***c) Legal risks***
***d) Other, if so specify***

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| The related risk ESBG is anticipating in this regard would be a loss of trust. |

*Question 7.2: If you answered a) or b) to Q7: what types of potential negative impacts do you anticipate as a result of greenwashing issues?*

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*Question 7.3: If you answered a) to Q7: What safeguards / risks mitigants have you (or are you planning to) put in place to address greenwashing risks?*

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*Question 8: Do you know of any industry initiative that could be instrumental in tackling greenwashing?*

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| ESGB would like to stress in this regard that banks and savings banks are already providing clear information, in particular about the individual sustainability features of financial instruments prescribed by law as part of investment advice and asset management in order to tackle greenwashing. |

*Question 9: Which do you think are the market mechanisms that can help mitigate greenwashing risks (e.g. reputational issues) and how do you believe supervisors can help in this respect?*

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*Question 10: What could policymakers and regulators do more to alleviate greenwashing risks?*

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| First of all, ESBG firmly believes that ESMA should focus on strengthening transparency through a consistent enforcement of existing transparency obligations. Then, as a second step, the implementation of a clear and scientifically comprehensible, as well as an uniform legal definition of sustainability and consistent regulatory requirements for financial instruments with sustainability features are the mandatory prerequisites to be able to present sustainability features in investment products in a legally secure, credible and transparent manner. |

## About ESBG (European Savings and Retail Banking Group)

The European Savings and Retail Banking Group (ESBG) represents the locally focused European banking sector, helping savings and retail banks in 21 European countries strengthen their unique approach that focuses on providing service to local communities and boosting SMEs. An advocate for a proportionate approach to banking rules, ESBG unites at EU level some 885 banks, which together employ 656,000 people driven to innovate at 48,900 outlets. ESBG members have total assets of €5.3 trillion, provide €1 trillion in corporate loans, including to SMEs, and serve 150 million Europeans seeking retail banking services. ESBG members commit to further unleash the promise of sustainable, responsible 21st century banking. Learn more at www.wsbi-esbg.org .

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