

Press Release

ESAs put forward common understanding of greenwashing and warn on risks

The European Supervisory Authorities (EBA, EIOPA and ESMA – ESAs) today publish their Progress Reports on Greenwashing in the financial sector. See [EBA](#), [EIOPA](#), and [ESMA](#) reports. In these reports, the ESAs put forward a common high-level understanding of *greenwashing* applicable to market participants across their respective remits – banking, insurance and pensions and financial markets.

ESAs common high-level understanding of greenwashing

The ESAs understand greenwashing as *a practice where sustainability-related statements, declarations, actions, or communications do not clearly and fairly reflect the underlying sustainability profile of an entity, a financial product, or financial services. This practice may be misleading to consumers, investors, or other market participants.*

The ESAs also highlight that sustainability-related misleading claims can occur and spread either intentionally or unintentionally and in relation to entities and products that are either within or outside the remit of the EU regulatory framework.

The National Competent Authorities (NCAs) and the ESAs are, therefore, working to meet expectations from stakeholders to ensure consumer and investor protection, support market integrity and maintain a trusted environment for sustainable finance. Given the integrated nature of the financial system, the ESAs work in a coordinated manner to address greenwashing.

ESMA Progress Report

The ESMA Progress Report helps to better understand greenwashing and provides market participants and regulators with a shared reference point in dealing with this phenomenon.

Risk areas

In the report, ESMA assesses which areas of the sustainable investment value chain (SIVC) are more exposed to the risk of greenwashing. This assessment is meant to help market participants in preventing and mitigating greenwashing, and to support ESMA and NCAs in prioritising supervisory actions and regulatory intervention.

The findings show that misleading claims may relate to all key aspects of the sustainability profile of a product or an entity – from governance aspects to sustainability strategy, targets and metrics or claims about impact. The report also provides sector-specific assessments for key sectors under ESMA's remit such as issuers, investment managers, benchmark administrators and investment service providers.

The causes of greenwashing

Greenwashing is the result of multiple inter-related drivers. Market participants across the SIVC face challenges in implementing the necessary governance processes and tools that support high-quality sustainability disclosures and transition efforts. In this context, market participants also have difficulties in producing and accessing relevant, high-quality sustainability data. Furthermore, a fast-moving regulatory framework has created implementation challenges for both market participants and for NCAs and highlighted the need to build sustainability expertise.

Preliminary remediation actions

To mitigate greenwashing risks, market participants across the SIVC have to live up to their responsibility to make substantiated claims and communicate on sustainability in a balanced manner. Comprehensibility of sustainability disclosures to retail investors needs to be improved, including by establishing a reliable and well-designed labelling scheme for financial products. Finally, the regulatory framework needs to gain in maturity, key concepts need to be clarified and sustainability impact or engagement better integrated.

This report lays the ground for mitigating greenwashing risks in the future, throughout the SIVC and in key sectors under ESMA's remit.

Next steps

The ESAs will publish final greenwashing reports in May 2024 and will consider final recommendations, including on possible changes to the EU regulatory framework.

Notes for editors

1. [ESMA30-1668416927-2498 Progress Report on Greenwashing](#)
2. Main takeaways from the [EBA](#) and [EIOPA](#) Progress Reports on Greenwashing
3. The reports came as an initial response to the [Request for input related to greenwashing risks and the supervision of sustainable finance policies](#) sent by European Commission to the three ESAs.
4. The ESAs common high-level understanding of greenwashing builds on valuable input gathered from stakeholders as part of the joint [Call for Evidence on Greenwashing](#) launched in November 2022.
5. Responses to the Call for Evidence on greenwashing will be published on the ESAs websites in the following weeks.
6. ESMA and NCAs are taking action and are committed to coordinate supervision under the *Union Strategy Supervisory Priority* on “ESG disclosures”, agreed at the end of 2022.
7. Promoting transparency and addressing greenwashing is one of ESMA’s key priorities as reflected in its [Sustainable Finance Roadmap 2022-2024](#) and in its [Strategy 2023-2028](#).
8. ESMA is the European Union’s EU’s financial markets regulator and supervisor. Its mission is to enhance investor protection and promote stable and orderly financial markets.
9. It achieves this objective through three strategic priorities:
 - a. fostering effective markets and financial stability,
 - b. strengthening supervision of EU financial markets,
 - c. enhancing protection of retail investors,and two thematic drivers:
 - d. enabling sustainable finance; and
 - e. facilitating technological innovation and effective use of data.
10. ESMA achieves its mission within the European System of Financial Supervision (ESFS) through active cooperation with the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European

Systemic Risk Board, and with national authorities with competencies in securities markets (NCAs).

Further information:



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