2022 ESAs Call for evidence on greenwashing

Fields marked with * are mandatory.

Responding to this Call for Evidence

The Call for Evidence (CfE) seeks 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.

All interested parties are welcome to contribute to the survey, including financial institutions under the remit of the three ESAs and other stakeholders ranging from retail investors and consumers associations to NGOs and academia.

Respondents are invited to contribute to this CfE, both to the common part and to the ESA-specific sections, or to those sections of the CfE which are relevant for a given respondent (by going directly to the relevant section).

All contributions should be submitted online via EU Survey.

UPDATE: The ESAs will accept contributions to the Call for Evidence via the EUsurvey link until the 16 January 2023 23:59 CET, after which the Call for Evidence will be closed.

Please refer to the below PDF version of the Call for Evidence which provides more details on the various questions:

ESAs_Call_for_evidence_on_Greenwashing.pdf

Publication of responses

All contributions received will be published following the deadline, unless you request otherwise in the survey. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure.
The ESAs reserve the right not to publish those responses which are assessed to be of an offensive or defamatory nature, are not related to the topic of the survey, or that include confidential information.
A confidential response may be requested from us in accordance with EBA's, EIOPA's and 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 the ESAs' 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, at www.eiopa.europa.eu under the heading Legal Notice and on the webpage https://www.eba.europa.eu /legal-notice.

For technical support about this survey you can contact:
EBA: EBA.Greenwashing@eba.europa.eu
EIOPA: ESAsGreenwashingCfE2022@eiopa.europa.eu
ESMA: ESMA.Greenwashing@esma.europa.eu

A. Introduction and Background

I. Introduction

1. Growing demand for sustainability-related products combined with rapidly evolving regulatory regimes and sustainability-related product offerings create a context that may be conducive to increased greenwashing risks. In its Renewed Strategy of July 2021, the European Commission (EC) laid out its expectation that supervisors play an essential role in identifying, preventing, investigating, sanctioning and remediating greenwashing, suggesting that it would issue a request to work on the subject to the three European Supervisory Authorities (ESAs).

2. On 23 May 2022, the ESAs received a request for input from the EC relating to greenwashing risks and supervision of sustainable finance policies. The EC requests each ESA, separately but in a coordinated manner, to provide input on greenwashing risks and occurrences in the EU financial sector and on the supervisory actions taken and challenges faced to address those risks. Two deliverables are foreseen in the request: a progress report expected by end of May 2023 and a final report expected by end of May 2024.

3. The work for this request for input can be structured in the following main areas:

a) Clearly defining greenwashing and better understanding the phenomenon, its scale and potential related risks;

b) Taking stock of the implementation of relevant sustainable finance legislation within the remit of the ESAs and identifying early challenges for stakeholders and regulators;

c) Mapping out various aspects of the supervisory response and assessing its adequacy from both a legal and a practical standpoint.

d) Issuing recommendations based on findings within the areas referred to above.

4. In order to deliver on the EC's request, the ESAs will build on a number of actions already planned under their respective workplans and will rely on a variety of data sources, as well as on extensive outreach. This CfE will contribute to the collection of up-to-date, detailed evidence to complement other sources of information.

II. Objectives and scope

5. With regard to the term "greenwashing", it is important to note that this CfE uses the term broadly to also include sustainability-related claims relating to all aspects of the ESG spectrum (i.e., environmental, social

and governance dimensions). This is consistent with the EC's request for input where the term "greenwashing" is used as referring to sustainability-related claims on environmental, social and/or governance aspects. In this regard, it is important to note that some market participants have given more prominence recently to environmental aspects due to developing sustainable finance legislation focusing on the environment and the increased focus on climate change. As a result, there may be an increasing number of misleading claims on environmental topics leading to greenwashing risks. This does not mean, however, that social and governance aspect could not lead to a significant number of misleading claims.

6. Concretely, the ESAs are interested in collecting:

i. The views from various stakeholders on how to understand greenwashing and what the main drivers of greenwashing might be;

ii. Examples of potential greenwashing practices across the EU financial sector relevant to various segments of the sustainable investment value chain and of the product lifecycle; and

iii. Any available data to help the ESAs gain a concrete sense of the scale of greenwashing and identify areas of high greenwashing risks.

7. This CfE seeks evidence of potential greenwashing practices in connection to sustainability claims regarding entities (hereafter entity-level claims) and products or services (hereafter referenced together under the term product-level). 'Product' is a generic term including all financial instruments, securities, investment, banking, insurance or pension products as well as all services relevant for each sector considered. Product-level claims are typically about how a product or service is taking into account sustainability. On the other hand, entity-level claims are made in connection to what an entity is doing at the overall firmwide level (e.g. an insurance undertaking or insurance intermediary, a corporate issuer, a bank, a pension provider, or a benchmark administrator).

8. Furthermore, in line with the scope of the EC's request for input, the CfE seeks evidence related to potential greenwashing practices both within and outside the scope of current EU sustainable finance legislation. Consequently, the ESAs encourage respondents to also consider providing examples of potential greenwashing practices relating to products, practices, and/or to documents or other means of communication of claims currently not explicitly covered by the EU sustainable finance legislation (e.g. references to ESG awards made in marketing materials, claims made on websites, social media, etc.). For instance, such products include ESG ratings or ESG derivatives. The collection of examples would be relevant given the fast-evolving nature of ESG markets and of the offer of sustainability-related products. The ESAs also encourage respondents to consider providing examples which comply with existing EU sustainable finance legislation but the outcome would still result in greenwashing.

9. This CfE seeks to collect information relating to practices and potential greenwashing risks in the sectors within the remit of the three ESAs. These sectors cover a great variety of financial market participants (e.g. insurers, credit institutions, benchmark administrators, product manufacturers, investors), which may also be present across the sustainable investment and sustainable products value chain (hereafter for simplicity referenced as "the sustainable value chain"). Indeed, there is value in looking at greenwashing from a multidimensional perspective with the help of the sustainable value chain which includes the entities operating in all of the sectors listed below as well as other stakeholders such as the retail investors /consumers.

10. This CfE contains a section on general greenwashing-related aspects relevant for the whole financial sector, as well as three additional sections covering specific aspects within the remit of each of the ESAs. Please note that the below list contains some unavoidable overlap in the form of some entities that fall under the scope of several ESAs (e.g. certain banks providing investment services would in fact be in scope of both EBA's and ESMA's remit).

a) EBA: credit institutions and related activities such as retail banking activities, corporate and project finance, investment services, own funds, funding, and liquidity instruments; payment service providers and payment services.

b) EIOPA: insurance undertakings, insurance intermediaries – including banks acting as insurance intermediaries, financial advisors acting as insurance brokers, and managing general agents – occupational pension schemes, and undertakings offering or planning to offer the Pan-European Personal Pension Product (PEPP).

c) ESMA: investment managers, investment firms, issuers and benchmark administrators. This sectoral prioritisation reflects ESMA's current understanding of the relative degree of greenwashing risks. Beyond these priority sectors, the CfE also aims to collect information on potential greenwashing issues within other segments within the sustainable value chain, in particular credit rating agencies and ESG data and rating providers.

Please note the below document which contains further explanations on the type of entities and products that fall under each sector.

ESAs_CfE-_footnotes_entities.pdf

11. All interested stakeholders are invited to respond to this CfE, both to the common part and to the ESA-specific sections, or to those sections of the CfE which are relevant for a given respondent.

12. It is important to note that this CfE does not seek input in relation to sustainability-related claims made regarding entities, products or services not under the scope of the ESAs, such as sustainability-related claims regarding non-financial products (e.g. consumer goods).

III. Possible features of greenwashing

13. In providing feedback on greenwashing in the ESAs common section respondents are invited to consider a number of possible features of greenwashing that are listed below. These features are only illustrative and are not meant to set out a framework that the ESAs have approved or endorsed; they are only meant to help structure the analysis of the greenwashing phenomenon. Sectorial differences may exist.

14. Greenwashing is a complex phenomenon which can involve or impact a multitude of financial market participants and potentially affects all sectors in the sustainable value chain.

15. The drivers of greenwashing are multifaceted and may include demand for sustainability-related products, data-related issues, the need to build expertise and skills, challenges in the application of new rules, inconsistent interpretations of the legal regime and financial literacy gaps, etc. In order to address the causes, it is therefore necessary to understand more clearly the phenomenon and arrive at a shared

understanding of greenwashing issues.

16. Greenwashing could be analysed through four main dimensions:

a) **The role market participants can play in greenwashing, which could include three possible categories: trigger, spreader and receiver of a sustainability-related claim**. These three categories represent three potential roles that stakeholders across the sustainable value chain can have in any given occurrence of greenwashing.

b) **The actual topics on which the sustainability-related claims are made**. These topics can be cross-sectoral, can apply at entity- and product-level and can be grouped into 3 broad categories. This does not however mean that all 3 categories necessarily lead to greenwashing in all sectors. The 3 categories are: (1) Claims about an entity's governance and remuneration around sustainability and about an entity or a product's dedicated resources to sustainability matters, (2) Claims about sustainability strategy, objectives, characteristics or qualifications of a product, an entity, or a service and (3) Claims about sustainability-related metrics based on historical data or future targets.

c) **The misleading qualities of a sustainability-related claim, which specify in which way a claim can be construed as misleading** (e.g. selective disclosure or hidden trade-off such as cherry-picking positive information and/or omitting relevant negative information; exaggerated claims and/or failure to deliver on such claims; omission or lack of disclosure; vagueness or ambiguity or lack of clarity; poor advice; etc).

d) **The channels through which the sustainability-related claims are communicated to other actors across the sustainable value chain** (e.g. regulatory documents, ratings/benchmarks/labels, product information, marketing materials) **or the various stages of the product lifecycle in which they occur** (e.g. product delivery, product manufacturing).

B. Background questions/contact information

* Country

BE

* Name of the respondent or organisation

BETTER FINANCE - The European Federation of Investors and Financial Services Users

* Email

nikolov@betterfinance.eu

* Type of respondent or organisation

- [ ] Auditors and third-party verifier
- [ ] Bank association
- [ ] Benchmarks administrator
- [ ] Conglomerate
- [ ] Consultancy company

- [ ] Consumer association
- [ ] Credit institution
- [ ] Credit Rating Agency
- [ ] Data provider
- [ ] ESG ratings provider
- [ ] Institutional investor
- [ ] Insurance intermediary
- [ ] Insurance undertaking
- [ ] Investment firm
- [ ] Investment manager
- [ ] Issuer
- [ ] Market association
- [x] Non-Governmental Organisation
- [ ] Occupational pension scheme(s) provider
- [ ] Other, please specify
- [ ] Payment service provider
- [ ] Pension fund
- [ ] PEPP distributor
- [ ] PEPP manufacturer
- [ ] Policymaker
- [ ] Regulator/Supervisor
- [ ] Retail investor/Consumer
- [ ] Think tank, academic
- [ ] Trade union

All contributions received will be published following the deadline, unless you request otherwise. Please tick this box if you want your contribution to remain confidential:

- ( ) I want my contribution to remain confidential

C. ESAs common section of the CfE

1. Possible features of greenwashing

1.1 Core features or 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.

Q 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.

4000 character(s) maximum

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 partial/full omission of information that consumers or investors would need to take an informed transactional or investment decision (including but not limited to selective, unclear, unintelligible, inconsistent, vague, oversimplistic, ambiguous or untimely information, unsubstantiated statements and aspirational or general communication). 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 and/or performance), at product level (e.g. in relation to products' sustainability characteristics, performance, and/or biased methodology application related to measuring the product's sustainability levels) 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 or lack thereof).

3) Greenwashing can be either intentional or unintentional (e.g. resulting from negligence, malpractice and selective interpretation of sustainable finance regulatory framework requirements or from complete misinterpretation of the sustainable finance regulatory framework requirement). 11 While the levels to which greenwashing can be interpreted as intentional or unintentional can be influenced by misuse or misunderstanding of regulatory requirements other elements can also be used to determine the extent of whether greenwashing practices are intentional or not, including but not limited to the lack of access and options on redress for individual retail investors. As a minimum, greenwashing should be understood as the act of misleading (regardless of whether it is intentional or not) vis-a-vis environmental, social and governance ESG benefits of an investment product. This should not be understood as the current view of the ESAs.

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.). However, in most cases greenwashing occurs at pre-sale and pre-contractual stages while greenwashing in the delivery stage of a product/service can be spotted consequently.

5) Greenwashing may occur in specific disclosures by entities required by the EU sustainable finance regulatory framework (e.g. SFDR Article 9 product-level disclosure requirements; Taxonomy regulation related disclosures; EU Green Bond Standard as well as upcoming European Sustainability Reporting 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...

6) Greenwashing can be triggered by the entity (including staff and representatives at all levels) 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, third-party verifiers, public figures and virtual traders, influencers etc.).

7) (unchanged)

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

4000 character(s) maximum

BETTER FINANCE's is of the view that greenwashing is a major risk for retail non-professional investors and others alike, and as such must be addressed thoroughly in order to avoid reduced consumer trust and confidence in financial markets. Studies already show that investors are increasingly more cautious on investment advice for sustainable products (1). The impact of greenwashing can create multiple negative outcomes including barrier to responsible investment, unfair competition and reduced capital for sustainable objectives among others. Greenwashing has been identified as leading to a 'loss of confidence of retail investors who could be discouraged to invest in green assets [and to] potentially reduced investment in sustainable development' (2). The practice of marketing a product as environmentally friendly, when in fact basic environmental standards have not been met – can take many forms including misleading labels and unsubstantiated/vague claims, meaningless catch words etc. with the aim of making a product or company seem greener and more socially responsible than it really is, amounting to nothing more than a marketing gimmick.

BETTER FINANCE supports the definition proposed by ESMA in its Sustainable Finance Roadmap 2022-2024, namely "market practices, both intentional and unintentional, whereby the publicly disclosed sustainability profile of an issuer and the characteristics and / or objectives of a financial instrument or a financial product either by action or omission do not properly reflect the underlying sustainability risks and impacts associated to that issuer, financial instrument or financial product".

The only existing EU definition of "greenwashing" with a legal basis seems to be the one found in recital 11 to the Taxonomy regulation EU 2020/852: "[Greenwashing is] the the practice of gaining an unfair competitive advantage by marketing a financial product as environmentally friendly, when in fact basic environmental standards have not been met". Based on this, BETTER FINANCE would like to propose a more practical definition for supervision and enforcement purposes:

Overall, BETTER FINANCE understands greenwashing as falsification of a company/product's intentional and consequential effect on the environment and/or society, through e.g. marketing campaigns which make the company/product appear more ESG beneficial than they really are. Thus greenwashing also refers to the act of misleading consumers/retail investors/end users regarding the environmental, social and governance claims of a given company or of investment product or service across present and future scenarios. "Misleading" is used in the legal EU sense as laid down in MiFID II Directive and delegated Regulation.

Retail investors need reliable and comparable information as well as guidance for their investments. A product should explain what it does and do what it says. With the rapid development of sustainability-denominated financial products, it is becoming increasingly important to assess their impact on the real economy. Greenwashing needs to properly draw attention to the difference between investor impact and investee company impact.

(1) https://www.dsw-info.de/presse/pressemitteilungen-2022/anlageberatung-zu-nachhaltigen-produkten-investoren-zurueckhaltend-wenig-klarheit-in-den-vorgaben/
(2) TEG, 2019, Taxonomy technical report, p. 96

1.2 Dimensions of greenwashing

1.2.1. The potential roles market participants can play in greenwashing

Q 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.

Q 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

Q 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?

4000 character(s) maximum

We have selected No on the basis that further categorisation is applicable regarding the role of market participants. Apart from the three different roles mentioned above, a market participant could also contribute to greenwashing through inaction. For example, a corporate issuer triggers greenwashing and a third-party spreads and “greens” this information even further, whereby the issuer becomes aware of this but is not taking action to stop the third-party's spread of falsified "greening".

Additionally, a receiver (end users/consumers/retail investors etc.) have limited understanding on the concepts of greenwashing and wider financial literacy regarding sustainable finance in comparison to the triggers/spreaders.

1.2.2. The topics of sustainability-related claims

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.

Please note the enclosed document contains further explanations on the categories of topics listed below. We strongly encourage you to consult these in order to better understand the topics and sub-topics of sustainability-related claims listed below.

ESAs_CfE-_footnotes_topics.pdf

- Topic 1: Claims about an entity’s governance and remuneration around ESG and about an entity or a product’s dedicated resources to sustainability matters:

i. Board and senior management's role in sustainability
ii. ESG corporate resources and expertise

- Topic 2: Claims about the sustainability strategy, objectives, characteristics or qualifications of a product, an entity, or a service:

  i. ESG strategy, objectives, characteristics
  ii. Sustainability management policies
  iii. ESG qualifications / labels / certificates
  iv. Engagement with stakeholders

- Topic 3: Claims about sustainability-related metrics based on historical data or future targets:

  i. ESG performance to date (including metrics for impact claims)
  ii. Pledges about future ESG performance (ESG targets, including net-zero commitments; transition plan, taxonomy alignment plans)

Q 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).

	1	2	3	4	5	Don't know
* Board and senior management's role in sustainability (Topic 1, i)				X		
* ESG corporate resources and expertise (Topic 1, ii)				X		
* ESG strategy, objectives, characteristics (Topic 2, i)					X	
* Sustainability management policies (Topic 2, ii)					X	
* ESG qualifications / labels / certificates (Topic 2, iii)					X	
* Engagement with stakeholders (Topic 2, iv)			X			
* ESG performance to date (including metrics for impact claims) (Topic 3, i)					X	
* Pledges about future ESG performance (ESG targets, including net-zero commitments; transition plan, taxonomy alignment plans) (Topic 3, ii)					X	

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

4000 character(s) maximum

(Topic 1, i)
- With the introduction of the Corporate Sustainability Reporting Directive (CSRD), BETTER FINANCE expects that more safeguards will be put in place to limit the occurrence of greenwashing as regards to board and senior management of companies. Under the CSRD, companies will have to disclose how sustainability matters are managed at the board level and how sustainability is integrated into directors' incentive schemes. Though there is a chance of greenwashing practices at senior management level (as cases of summer 2022), the risks associated with reputational damages could dampen the drive of greenwashing at board/senior management level. It should be noted however that since the CSRD is only applicable in the near future other steps may be necessary to address a potential occurrence of greenwashing at board level.

(Topic 1, ii)
- One of the underlying drivers of greenwashing with ESG corporate resources and expertise comes from the fact that there is a lack of a single or at least somewhat uniform expectation in relation to the level of ESG definitions and associated concepts. This leaves companies with a great amount of leeway to shift resources that represent their status quo and not necessarily follow-up with actionable efforts that go beyond conventional branding for example. This presents a landscape where proper scrutiny of the information is difficult and where many sustainability claims can materialise but with no clear oversight as to whether these claims are backed up with the necessary action. This is particularly the case at entity level (when considering the various mandatory and voluntary disclosure requirements an entity might be subject to as well as other communications to the market, stakeholders etc.). And it is also the case at product level with the multiple disclosure requirements (e.g. pre-contractual, key information documents etc.)

- Topic 2 i, is prone to greenwashing as it usually involves statements that could possess deceptive marketing claims which can be justified by corporate strategies as aspirational and therefore immeasurable. For example, "we aim to reduce our carbon footprint for a better future".
- Topic 2 ii, the underlying driver of greenwashing in this scenario comes from and depends on the level of granular information a company provides in relation to sustainability management policies. In cases of limited and vague information, greenwashing can be an extremely active practice.
- Topic 2 iii, BETTER FINANCE is very concerned about the proliferation of ESG ratings (often inconsistent from one issuer or investment product to the other) , ESG-specific indices (more complex and specific than general capital markets ones, where already providers sometimes introduce very complex ones, as in structured products for example) and ESG labels (both private or public ones). This is a major challenge and a high factor of confusion for citizens as "retail" investors.

- Topic 3 i, has a significant chance to actively use greenwashing and the underlying factor to this comes from lack of transparency. There is a significant lack of easily accessible and transparent methodologies with past data as well as quality of past data. ESG data is in the process of becoming regulatory data. The European Single Access Point could be of value when it comes to ESG information provided that data is provided in a standard machine-readable format from the outset.
- Topic 3 ii, has one of the highest rates of greenwashing as most of the statements in these scenarios are forward looking and until that specific timeframe has arrived it could not be determined whether such statements/promises were accurate or misleading. One of the ways in which this type of information can be benchmarked against immediate greenwashing is by assessing whether those claims are substantiated with a set of measures and actions that will lead to suggested outcome in the future.

Q 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).

	1	2	3	4	5	Don't know
* Board and senior management's role in sustainability (Topic 1, i)					X	
* ESG corporate resources and expertise (Topic 1, ii)					X	
* ESG strategy, objectives, characteristics (Topic 2, i)					X	
* Sustainability management policies (Topic 2, ii)					X	
* ESG qualifications / labels / certificates (Topic 2, iii)					X	
* Engagement with stakeholders (Topic 2, iv)			X			
* ESG performance to date (including metrics for impact claims) (Topic 3, i)					X	
* Pledges about future ESG performance (ESG targets, including net-zero commitments; transition plan, taxonomy alignment plans) (Topic 3, ii)					X	

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

4000 character(s) maximum

Some of the impacts greenwashing can have on retail investors include but are not limited to:

- Loss of investments and capital flows (when greenwashing allegations have materialised and there are not many avenues for redress or compensation for smaller investors). This can also further the systematic abuse of minority shareholders and end user may become reluctant to build trust with companies and thus reduce their purchasing power or direct it towards non ESG products and services.
- Loss of trust (please refer to answers in Q A.2)

Impact of greenwashing on environment/climate (including but not limited to):

- Consumers and end users are likely to unknowingly buy a product/service which is highly polluting for example and being unaware of negative environmental impacts it may have, including climate change.

Impacts of greenwashing on companies (including but not limited to):

- Reputational damages
- Litigation cases and associated costs
- Regulatory fines
- Negative impact on investee company share price

Therefore, from the retail investor perspective, greenwashing can significantly undermine the EU sustainable finance agenda. Empowering retail investors to invest in accordance with their sustainability preferences is a foundation upon which much of the sustainable finance framework is heavily reliant. If retail investors think they are investing sustainably when (because of greenwashing) in reality they are not, this causes a market integrity problem where financial markets are not responding to retail investor sustainability preferences and are not reorienting capital towards sustainable investment. Thus if greenwashing occurs at sufficient scale it can undermine EU sustainable finance policy. And if greenwashing leads to distrust which prevents retail investors investing in sustainable financial products this will further undermine EU sustainable finance policy.

Q 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?

- (x) a) Yes
- ( ) b) No

Q A.6.1: If yes, please provide below more information on your answer including, if possible, a short example.

4000 character(s) maximum

We consider that the current articulation of topics and sub-topics does not sufficiently articulate greenwashing in the context of misleading environmental impact claims about the real-world impact of a financial product or financial institution (often referred to as impact-washing) as a distinct category of greenwashing.

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

4000 character(s) maximum

BETTER FINANCE, WWF and 2DII have recently published a briefing on sustainability recommendations for the revision of the Packaged Retail Investment and Insurance-Based Products (PRIIPs) Regulation.

In January 2021, the European Commission teamed up with national consumer agencies to undertake a sweep of corporate websites across the continent. It found 42 per cent of all green claims in European companies' marketing materials were exaggerated, false or deceptive.

The financial consumers and investors should have clarity as to which public authorities are competent to receive complaints for false green claims regarding financial sector – this should be clearly communicated to the public.

Retail investors are also left in the dark regarding the way greenwashing practices are addressed by regulators and the steps a non-professional investor should take in order to avoid being exposed to greenwashing, with the most recent example in Europe being that of investigations into alleged greenwashing practices at DWS, which seem to be on hold since summer 2022. Investors and shareholders are looking for answers regarding the progress made so far, but no clear and publicly available information has been made available since. The investigations led by SEC and BaFIN have not given any granular information on what investors should expect.

1.2.3 The way in which a claim can be misleading

Q A.8: On a scale from 1 (i.e. "not at all 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.

	1	2	3	4	5	Don't know
* Selective disclosure or hidden trade-off (cherry-picking positive information and/or omitting relevant negative information)	( )	( )	( )	( )	(x)	( )
* Empty claims (exaggerated claims and/or failure to deliver on such claims)	( )	( )	( )	( )	(x)	( )

	1	2	3	4	5	Don't know
* Omission or lack of disclosure					X	
* Vagueness or ambiguity or lack of clarity					X	
* Inconsistency across various disclosures and communications (marketing, regulatory, website, etc.)					X	
* Lack of fair and meaningful comparisons, thresholds, scenarios and/or underlying assumptions					X	
* No proof (unsubstantiated)					X	
* Misleading /Suggestive non-textual imagery and sounds (including the use of specific colours like green)					X	
* Irrelevance					X	
* Outdated information					X	
* Misleading / suggestive use of ESG-related terminology (naming-related greenwashing)					X	
* Outright lie (falsehood)					X	

Q A.8.1: Please provide further comments to the identified misleading qualities of communication in the context of greenwashing. In particular, should any of the qualities be added, amended or deleted from the list and if so, why?

4000 character(s) maximum

BETTER FINANCE is of the view that 'irrelevance' could be combined and added to 'vagueness or ambiguity or lack of clarity' as it fits under this category and may not add much value on its own.

1.2.4 Which communication channel

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) Ratings[1]/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.

Q 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):

	1	2	3	4	5	Don't know

* 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)	○	○	○	○	○	●

Q A.9.1: Please indicate below if you have any comments regarding the communication channels of potentially misleading sustainability-related claims?

4000 character(s) maximum

When it comes to the misleading sustainability related claims which retail investors have access to, this is a business to consumer relationship which means that the UCPD framework and associated guidance applies. However, the fact that the UCPD framework and associated guidance applies in the context of greenwashing /misleading information to retail investors appears to have been largely forgotten by market participants and financial regulators alike.

We consider that for greenwashing in the context of misleading environmental impact claims, the current financial regulatory framework (either the sustainable finance regulation or more general finance regulation) does not provide effective support. Despite the purpose of the SFDR, to improve transparency in the market for sustainable investment products and to prevent greenwashing practices, we are witnessing the regulation's use as a labelling exercise due to the fact that funds and asset managers have plenty of leeway to interpret ESG credentials in various ways and switch back and forth between Article 6, 8 and 9 of the SFDR. If a product
is labelled as Article 8 or 9, retail investors reasonably expect the product to have a certain level of ESG credentials, and the lack of clarity from the regulatory environment creates an additional barrier for retail investors and must be addressed through a legislative review. On the one hand, the market does not have a uniform interpretation, which risks being to the detriment of retail investor understanding of the financial products they are investing in, while on the other there is little support for retail investors to enable them to properly distinguish between these two categories of financial products. This emerging trend of using SFDR categories as marketing labels creates significant risks of greenwashing.

BETTER FINANCE is concerned in particular about:
- The very vague criteria for providers to classify investment products as “article 8 “ ones under SFDR; this makes art 8 investment products quite prone to greenwashing risk;
- The quasi-explicit blessing given by SFDR to the “negative screening“ ESG investment approach both for art 8 but even more worryingly for art 9 (“dark green”) investment products. Independent research shows that negative screening (or “exclusion” or “disengagement”) is the least effective ESG investment approach, versus the “engagement” one, which is found the most effective, but alas implicitly or explicitly quite discouraged by SFDR article 9 requirements. (1)

Similarly, ESMA's recent study on the EU Eco-label awarded to green retail financial products and services, found only 16 funds out of a sample of 3000 that meet the proposed minimum portfolio greenness threshold of 50% and exclusion requirements. In view of these findings, it has been suggested loosening requirements in order to increase the number of sustainable investment products eligible for an Ecolabel. Such a relaxation of the requirements though may very well be counterproductive and to the detriment of the sustainable finance ecosystem as well as its users since it potentially increases the risk of greenwashing. Another issue with ESMA’s research is the fact that it only considers taxonomy and exclusion-based approaches and entirely omits engagement strategies, thus skewing the findings of the study. BETTER FINANCE is of the view that there are significant limitations to taxonomy and exclusion-based approaches and invites the supervisory authority to consider engagement and the effect this may have on the number of eligible (sustainable) funds, instead of loosening requirements and thereby encouraging greenwashing practices.

(1) https://betterfinance.eu/publication/better-finance-position-on-the-classification-of-investment-funds-regarding-sustainability/

1.2.5 At which stage of the lifecycle and where in the business model/management does greenwashing occur

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).

Q 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):

	1	2	3	4	5	Don't know
* 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	○	○	○	○	◉	○

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

4000 character(s) maximum

Again, we would like to underline the risk of impact washing. There is widespread confusion in the financial sector in relation to the difference between investor impact and investee company impact. This is the case both in terms of general understanding by financial market participants and regulators/supervisors and because of the lack of detail and inaccuracies in the regulatory framework. Therefore we consider that misleading environmental impact claims (or impact washing) can occur at all stages of the product lifecycle.

1.2.6 Further considerations

Q A.11: Are there any relevant elements or features of greenwashing which have not been referenced in the questions above?

- [x] a) Yes
- [ ] b) No

Q A.11.1: If yes, please provide below more information on your answer including, if possible, a short illustration:

4000 character(s) maximum

BETTER FINANCE also sees a risks of impact washing and draws attention to the fact that a specific focus on misleading environmental impact claims is not yet apparent in the questions in this call for evidence.

Additionally, BETTER FINANCE is of the view that – for example - investments in fossil fuel companies can positively impact the environment, provided they are engaged ones, i.e. that they are accompanied with active
share ownership and engagement aiming in particular at increasing the focus of the corporate investment plans and business model of the fossil fuel company towards a low carbon pathway and accelerate energy transition plans. Shareholder engagement concretely means to actively participate to general meetings of investee companies, vote there and initiate or support resolutions in favour of positively impacting the environment and/or other ESG issues. While this may warrant an additional cost for fund managers, this type of investment strategy is certainly much more effective than the “exclusion” (disengagement) approach and far less prone to greenwashing. Sustainable investing must not be confused with the use of exclusion criteria in the SFDR and as such, strong engagement for example could benefit retail investors and companies alike.

A 2021 independent study confirmed that the investment approach focused on exclusion – encompassing negative selection or disengagement – as the least effective, while the most effective fund investment strategy derives from engagement. Funds must establish a measurable exercise/tool to assess this, which will enhance clarity and impact for retail investors and address reputational risk for funds. If we for instance consider the alternative, whereby European institutional investors disengage and increase their sell-off at bargain prices of fossil fuel related stocks to non-European investors who may or may not have the aim of reorienting cash flows of companies towards a green transition, it becomes clear that this poses a much greater risk for the environment in the long run. Retail nonprofessional investors will be better protected from greenwashing if Article 9 funds are the sole carriers of a green classification, especially if accompanied by effective engagement mechanism and impact-oriented objectives towards a green transition.

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2. Examples of potential greenwashing practices

This section of the survey relates to the collection of examples of potential greenwashing practices that you may have encountered that we would like to encourage you to describe below. These examples can be within or outside the current scope of the EU sustainable finance legislation and should refer to the financial sector within the remit of at least one of the ESA’s. This CfE does not seek input in relation to sustainability-related claims made regarding entities, products or services not under the scope the ESAs, like sustainability-related claims regarding non-financial products (e.g. consumer goods). Please make sure to provide examples for which you can answer at least some of the below questions. Please provide the details of the described cases to the best of your knowledge.

Please bear in mind that the purpose of this survey is to gather useful and concrete examples that will help the ESAs to better understand greenwashing. Greenwashing cases reported in this CfE are mainly sought for the purpose of informing the advice which the ESAs would provide to the European Commission. Therefore, you may either give full details about the actual names of the entities or products involved in a potential greenwashing practice, or you may refer to them as ‘entity X’, ‘product Y’.

Respondents can provide up to 5 examples of greenwashing in this survey. If you are able to identify more examples of greenwashing, please choose those cases which are the most relevant in your view, and the most likely to occur.

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

- [x] 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

Q 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.

In its advertisement for the DWS Invest ESG Climate Tech Fund from 31.05.2022, DWS advertises that investors would invest 0% of their fund assets in companies from certain controversial sectors such as "coal" or "military equipment". This advertising is misleading because it is not transparently explained how DWS base such a claim. Furthermore, thresholds do not rule out the possibility that the undertakings held by the Fund nevertheless derive part of their turnover in the controversial sector. Investors are led to believe that they invest zero percent in coal, while the companies held in the fund, for example, are allowed to generate up to 14.99% turnover in the coal industry. DWS also claims that investors in the DWS Invest ESG Climate Tech Fund are investing "specifically in achieving climate goals" and that they are "helping to counteract climate change through targeted investing" or mitigating its effects. What DWS bases these statements on remains open and unclear in the advertising message. If an investment fund buys securities via stock exchange trading, this does not change the CO2 emissions of the companies held in the fund assets or those of the companies excluded from the fund assets. This lack of transparency is unacceptable, since the Taxonomy Regulation of the European Union requires transparent information for such environmental advertising.

Other examples include:

- Changes in portfolio boundaries = GHG emission reductions in the real economy The fund manager ambiguously presents changes in the exposure of a portfolio to environmental features (e.g. carbon footprint) as if they corresponded to an equivalent outcome – often quantified – in the real world. This is technically incorrect as it only leads to a reallocation of carbon emissions across financial actors.
- Any ESG process implemented = Environmental outcomes in the real economy The fund manager suggests that an ESG integration approach can be specifically related to an actual environmental outcome, which is not supported by any evidence.
- ESG data and rating providers which allocate an ESG score to a given company without easily accessible, free and transparent methodology.
- Robo advisors unsubstantiated claims regarding sustainability inclusion. In BETTER FINANCE's report on Robo advisors 2022, we observed that while more platforms ask specific questions aimed at discerning the sustainability preferences of their potential clients, this practice varies and out of those that provide options for sustainable finance investments, only 2 provide a detailed and comprehensive information and questioning during the questionnaire stage. Following MIFID II suitability assessment revisions, sustainability preferences of potential clients and related requirements are only translated into a mere “tick a box

exercise". Finally, as seen from our previous report in 2021, none of the Robo-advisors continue to disclose information on the sustainable portfolio / investing strategy (integration, exclusion, engagement, impact).

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

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

Q A.12.4: In case of product / service level example, what was the asset class/ type of financial product in question?

- ☐ 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

Q A.12.5: Please indicate the sectors by which this example of potential greenwashing practice was triggered:

- ☐ 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)

Q A.12.6: According to you, was the entity triggering this potential greenwashing practice acting:

- (x) a) Intentionally
- ( ) b) Non-intentionally
- ( ) c) I do not know

Q A.12.7: If applicable, please indicate the stakeholders which acted, intentionally or non-intentionally, as spreader:

- [ ] a) Issuers (other than credit institutions)
- [x] b) ESG data and rating providers
- [ ] c) Credit rating agencies
- [ ] d) Benchmark administrators
- [x] e) Investment services providers
- [x] 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)

Q A.12.8: Please indicate the stakeholders which were the receivers of this example of potential greenwashing practice

- [ ] 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) Corporates
- [x] p) Retail investors/Consumers
- [x] q) General public
- [ ]

r) Not enough information to determine this

- [ ] s) Other (please specify)

Q A.12.9: Please identify the most relevant topic(s) in this example of potential greenwashing practice:

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

Q A.12.10: Please identify the most relevant misleading characteristics of communication in this example of potential greenwashing practice

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

Q A.12.11: Please identify the communication channels through which this example of potential greenwashing practice have been communicated

- [ ] 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
- [x] b) Ratings (ESG ratings and/or other ESG data products)
- [ ] c) Benchmarks
- [x] d) Labels
- [x] e) Product information (including internal classifications, and internal target market, product testing and distribution strategy related documentation)
- [x] f) Intermediary/advice information
- [x] 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

Q A.12.12: Please indicate below if the potential greenwashing practice relates to a stage of the product lifecycle or to business model/management:

- [ ] a) Product manufacturing
- [x] b) Product delivery – marketing: advertisements, non-regulatory information
- [ ] c) Product delivery – regulatory disclosure
- [x] d) Product delivery – distribution channels
- [x] e) Product delivery – sales: information asymmetry (this includes under or over emphasis of certain product features)
- [x] f) Product delivery – sales: misselling due to misleading information/disclosure
- [x] 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
- [x] k) Business management at entity level – culture, governance arrangements, systems and processes)
- [ ] l) Not enough information to determine this
- [ ] m) Other (please specify)

Q A.12.13: Is the example of the potential greenwashing practice related to any of the following situations?

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

Q A.12.13.1: If yes, please explain in further details how:

4000 character(s) maximum

Q 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
- ( ) b) No
- (•) c) Partially
- ( ) d) Do not know

Q A.12.14.1: If a) or c), please explain below

4000 character(s) maximum

Sustainable finance legislation requirements are still developing and are not sufficiently equipped to capture the causality of greenwashing in legal terms.

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

a) Yes

b) No

Q A.12.16: Please include references/links to supporting materials substantiating this example of potential greenwashing practice. As mentioned above, greenwashing cases reported in this CfE are mainly sought for the purpose of informing the advice which the ESAs would provide to the European Commission. Therefore, you may either give full details about the actual names of the entities or products involved in a potential greenwashing practice, or you may refer to them as ‘entity X’, ‘product Y’. If the cumulated document size exceeds 5 MB, please send us the supporting documents by email (EBA: EBA.Greenwashing@eba.europa.eu, EIOPA: ESAsGreenwashingCfE2022@eiopa.europa.eu, ESMA: ESMA.Greenwashing@esma.europa.eu) by following the below naming convention: Q12.16_Respondent name_example_x, where x=1 to how many examples you choose to upload.

Q A.12.16.1: All examples received will be published following the deadline, unless you request otherwise. Please tick this box if you want this example to remain confidential:

I want this example to remain confidential

Thank you for sharing this example of potential greenwashing practices.

Q A.12.17 Would you like to add another example of potential greenwashing practice?

a) Yes

b) No

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

BETTER FINANCE's is of the view that greenwashing is a major risk for retail non-professional investors and others alike, and as such must be addressed thoroughly in order to avoid reduced consumer trust and confidence in financial markets. Studies already show that investors are increasingly more cautious on investment advice for sustainable products. The impact of greenwashing can create multiple negative outcomes including barrier to responsible investment, unfair competition and reduced capital for sustainable objectives among others. Greenwashing has been identified as leading to a ‘loss of confidence of retail investors who could be discouraged to invest in green assets [and to] potentially reduced investment in sustainable development’.

Retail investors need reliable and comparable information as well as guidance for their investments. A product should explain what it does and do what it says. Subsequently, greenwashing can take many forms, one of which is the act of misleading consumers regarding the environmental, social or governance practices of a company or their associated benefits (whether a product or service) and expected impact (company or investor). With the rapid development of sustainability-denominated financial products, it is becoming increasingly important to assess their impact on the real economy. Greenwashing needs to properly draw attention to the difference between investor impact and investee company impact.

We consider that for greenwashing in the context of misleading environmental impact claims, the financial regulatory framework (either the sustainable finance regulation or more general finance regulation) does not provide effective support. Despite the purpose of the SFDR, to improve transparency in the market for sustainable investment products and to prevent greenwashing practices, we are witnessing the regulation's use as a labelling exercise due to the fact that funds and asset managers have plenty of leeway to interpret ESG credentials in various ways and switch back and forth between Article 6, 8 and 9 of the SFDR. If a product is labelled as Article 8 or 9, retail investors reasonably expect the product to have a certain level of ESG credentials, and the lack of clarity from the regulatory environment creates an additional barrier for retail investors and must be addressed through a legislative review. On the one hand, the market does not have a uniform interpretation, which risks being to the detriment of retail investor understanding of the financial products they are investing in, while on the other there is little support for retail investors to enable them to properly distinguish between these two categories of financial products. This emerging trend of using SFDR categories as marketing labels creates significant risks of greenwashing.

Similarly, ESMA's recent study on the EU Eco-label awarded to green retail financial products and services, found only 16 funds out of a sample of 3000 that meet the proposed minimum portfolio greenness threshold of 50% and exclusion requirements. In view of these findings, it has been suggested loosening requirements in order to increase the number of sustainable investment products eligible for an Ecolabel. Such a relaxation of the requirements though may very well be counterproductive and to the detriment of the sustainable finance ecosystem as well as its users since it potentially increases the risk of greenwashing. Another issue with ESMA's research is the fact that it only considers taxonomy and exclusion-based approaches and entirely omits engagement strategies, thus skewing the findings of the study. BETTER FINANCE is of the view that there are significant limitations to taxonomy and exclusion-based approaches and invites the supervisory authority to consider engagement and the effect this may have on the number of eligible (sustainable) funds, instead of loosening requirements and thereby encouraging greenwashing practices.

Therefore, from the retail investor perspective, greenwashing can significantly undermine the EU sustainable finance agenda. Empowering retail investors to invest in accordance with their sustainability preferences is a foundation upon which much of the sustainable finance framework is heavily reliant. If retail investors think they are investing sustainably when (because of greenwashing) in reality they are not, this causes a market integrity problem where financial markets are not responding to retail investor sustainability preferences and are not reorienting capital towards sustainable investment. Thus if greenwashing occurs at sufficient scale, it can undermine EU sustainable finance policy. And if greenwashing leads to distrust which prevents retail investors investing in sustainable financial products this will further undermine EU sustainable finance policy.

D. EBA section of the CfE

Greenwashing in the context of credit institutions, investment firms and payment service providers' activities

Types and forms of greenwashing

*The questions below aim at identifying the most common forms and types of greenwashing that may occur within **credit institutions, investment firms and payment service providers**. For some of the items listed, please provide a score from 1 (i.e. 'Very unlikely') to 5 (i.e. 'Very likely'), a brief explanation of the score when deemed relevant as well as some examples of how greenwashing may occur. Respondents are encouraged to provide a score to each item but may choose not to respond to some items (by reporting 0 'Don't know') if they consider themselves not in a position to express view.*

Question D.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 duties) 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. 'Very unlikely') to 5 (i.e. 'Very likely'), or 0 ('Don't know')]:

	1 (Very unlikely)	2 (Unlikely)	3 (Neither unlikely /likely)	4 (Likely)	5 (Very likely)	0 (Don't know)
1. Misleading claim on E topics					X	
2. Misleading claim on S topics					X	
3. Misleading claim on G topics					X	
4. Misleading claims on combined E and S topics					X	
5. Misleading claims on combined S and G topics					X	
6. Misleading claims on combined E and G topics					X	
7. Misleading claims on combined ESG topics					X	

Please briefly elaborate on your assessment:

4000 character(s) maximum

BETTER FINANCE considers "greenwashing" to be the biggest threat to the success of "sustainable finance" and to the already damaged trust of EU citizens in the financial industry as investors and pension savers. Both sides (asset managers and individual investors) face increasing difficulties with regard to the reliability of ESG ratings: how can one identify "greenwashing" in the absence of an objective reference? This is one of the main reasons as to why ESG methodology is key in alleviating misleading claims on any of the 'E','S' or 'G' elements. Without such information, credit institutions, investment firms, and end users are only left with selective interpretation.

Banks are faced with greenwashing for example in cases where they don't keep climate pledges and do not meet announced targets or follow climate strategy that have been communicated previously.

The divergent methodologies and scoring systems used by ESG rating providers make it very difficult to undertake fact-based ESG investing. ESG investing methodologies that ultimately direct "retail" investors' money towards genuine ESG investments, activities and projects. ESG performance is determined through an isolated comparison within the industry sector or company group in which the issuer belongs (as for example the beverage sector). Therefore, companies are compared to their peer groups and not to the overall economy. While assessing this peer performance may guide management decisions in order to prioritize an ESG policy (especially when the company is lagging behind the peers), the peer group ratings are highly misleading for individual investors, e.g. seeing an 'AA' awarded to a tobacco company while many ethical/sustainable investors have excluded the tobacco sector for years due to the social impact on society.

1. ESG Rating agencies diverge between each other on this crucial point casting a concerning doubt on

the robustness of their analyses, and

2. Information on the ESG characteristics is scattered or even missing across pre-contractual documents on funds identified as sustainable.

3. The number of ESG funds that actually aim to have a positive impact on the Environment, Society and /or Governance remains extremely small.

Question D.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 items, please provide a score from 1 (i.e. 'Very unlikely') to 5 (i.e. 'Very likely' or 0 ('Don't know')].

D.2.1. Institution level:

	1 (Very unlikely)	2 (Unlikely)	3 (Neither unlikely/likely)	4 (Likely)	5 (Very likely)	0 (Don't know)
1. Green/ sustainability-related claim on the business strategy	○	○	○	◉	○	○
2. Green/ sustainability-related claim on the corporate governance	○	○	○	◉	○	○
3. Green/ sustainability-related claim on other entity-specific aspects (please specify below)	○	○	○	◉	○	○

Please specify 'other entity specific aspects' (referred to in point 3) here:

50 character(s) maximum

D.2.2. Product and service level:

D.2.2.1. Green/ sustainability-related claim on retail and SME banking products and services including the following:

	1 (Very unlikely)	2 (Unlikely)	3 (Neither unlikely/likely)	4 (Likely)	5 (Very likely)	0 (Don't know)
1. Consumer loans				X		
2. Mortgages				X		
3. Deposits					X	
4. Other (please specify below)						

Please specify 'Other':

50 character(s) maximum

D.2.2.2. Green/ sustainability-related claims on corporate and investment banking products and services including the following:

	1 (Very unlikely)	2 (Unlikely)	3 (Neither unlikely /likely)	4 (Likely)	5 (Very likely)	0 (Don't know)
1. Specialised lending and project finance					X	
2. Venture capital and private equity						
3. Corporate bonds					X	
4. Sustainability bonds					X	
5. Portfolio management and investment advice					X	
6. Other (please specify below)						

Please specify 'Other':

50 character(s) maximum

D.2.2.3. Green/ sustainability-related claims on own funds, funding and liquidity instruments, including the following:

	1 (Very unlikely)	2 (Unlikely)	3 (Neither unliekly /likely)	4 (Likely)	5 (Very likely)	0 (Don't know)
1. Capital instruments (common equity, other equity)				X		
2. Bonds of which proceeds are used to finance green or social projects					X	
3. Sustainability-linked bonds					X	
4. Regular bonds						
5. Securitisations						
6. Covered bonds						
7. Other (please specify below)						

Please specify 'Other':

50 character(s) maximum

D.2.2.4. Green/ sustainability-related claims on the financing of governments, regional authorities, and public sector entities

	1 (Very unlikely)	2 (Unlikely)	3 (Neither unlikely /likely)	4 (Likely)	5 (Very likely)	0 (Don't know)
Claims on financing of governments, regional authorities, and public sector entities	○	○	○	○	●	○

D.2.2.5. Green/ sustainability-related claims on payment account and (online) payment services

	1 (Very unlikely)	2 (Unlikely)	3 (Neither unlikely /likely)	4 (Likely)	5 (Very likely)	0 (Don't know)
Claims on payment account and (online) payment services	○	○	○	○	●	○

D.2.2.6. Green/ sustainability-related claims on other products and services

	1 (Very unlikely)	2 (Unlikely)	3 (Neither unlikely /likely)	4 (Likely)	5 (Very likely)	0 (Don't know)
Claims on other products and services (please specify below)	○	○	○	○	●	○

Please specify 'Other products and services' here:

50 character(s) maximum

Please elaborate on your assessment to any points of Question D.2:

4000 character(s) maximum

ESG green bond markets have grown globally, but EU capital markets are still experiencing wide gaps with most sustainability assets concentrated in a small portion of Member States. The lack of transparent data and common definitions further complicate this analysis and raise greenwashing concerns for retail investors. The lack of an official register of ESG bonds as well as a sole focus on euro area share of global green bonds calls for clear and transparent ESG methodologies and reporting as well as rules and procedures related to greenwashing, that are applicable and inclusive of all European markets. This will not only benefit the research and analysis in this field, but also better inform investors and other stakeholders on the state of play regarding sustainability activities.

Question D.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. 'Very unlikely') to 5 (i.e. 'Very likely' or 0 ('Don't know')]

D.3.1. Institution level:

	1 (Very unlikely)	2 (Unlikely)	3 (Neither unlikely /likely)	4 (Likely)	5 (Very likely)	0 (Don't know)
1. Green/ sustainability related claim on the business strategy	○	○	○	○	◉	○
2. Green/ sustainability related claim on the corporate governance	○	○	○	○	◉	○
3. Green/ sustainability related claim on other entity-specific aspects (please specify below)	○	○	○	○	◉	○

Please specify 'other entity specific aspects' (referred to in point 3) here:

50 character(s) maximum

D.3.2. Product and service level:

	1 (Very unlikely)	2 (Unlikely)	3 (Neither unlikely /likely)	4 (Likely)	5 (Very likely)	0 (Don't know)
1. Green/ sustainability related claim on portfolio management activities and investment advice	○	○	○	○	◉	○
2. Green/ sustainability related claim on underwriting of financial products	○	○	○	○	◉	○
3. Green/ sustainability related claim on trading on own account activities	○	○	○	○	◉	○
4. Green/ sustainability related claim on payment services (e.g. offsetting, clearing, reception transmission of orders)	○	○	○	○	◉	○
5. Green/ sustainability related claim on other services and products (please specify below)	○	○	○	○	○	○

Please specify 'other services and products' (referred to in point 5) here:

50 character(s) maximum

Please elaborate on your assessment of any points of Question D.3:

4000 character(s) maximum

As we have referred to in our response to other questions, there is widespread confusion in the financial sector in relation to the difference between investor impact and investee company impact. This is the case both in terms of general understanding by financial market participants and regulators/supervisors and because of the lack of detail and inaccuracies in the regulatory framework. Therefore, we consider that misleading environmental impact claims can occur in most of the areas identified in this question.

Question D.4: In the context of **payment service providers** that are not credit institutions, 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., 'Very unlikely') to 5 (i.e., 'Very likely') or 0 ('Don't know')]

D.4.1. Institution level:

	1 (Very unlikely)	2 (Unlikely)	3 (Neither unlikely /likely)	4 (Likely)	5 (Very likely)	0 (Don't know)
1. Green/ sustainability related claim on the business strategy	○	○	○	○	○	○
2. Green/ sustainability related claim on corporate governance	○	○	○	○	○	○
3. Green/ sustainability related claim on other entity-specific aspects (please specify below)	○	○	○	○	○	○

Please specify 'other entity specific aspects' (referred to in point 3) here:

50 character(s) maximum

D.4.2. Product and service level:

	1 (Very unlikely)	2 (Unlikely)	3 (Neither unlikely /likely)	4 (Likely)	5 (Very likely)	0 (Don't know)
1. Green/ sustainability related claim on online payment services	○	○	○	○	○	○
2. Green/ sustainability related claim on crypto currencies	○	○	○	○	○	○

3. Other products and services (please specify below)	○	○	○	○	○	○

Please specify 'other products and services' (referred to in point 3) here:

50 character(s) maximum

Please elaborate on your assessment of any points of Question D.4:

4000 character(s) maximum

Question D.5: Please fill-in the two tables below on a best effort basis with some illustrative examples of potential greenwashing (one cell can include several examples).

D.5.1. At product and service level:

	Retail banking	Corporate banking	Investment services	Payment services and electronic currencies	Own funds, funding and liquidity instruments
1. Misleading statements on the current sustainability characteristics (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.*			Robo advisors - asking about sustainability preferences through omission of comprehensive sustainability information and resulting to a limited offer of sustainability product. We observed that since our last report more platforms ask specific questions aimed at discerning the sustainability preferences of their potential clients. Only two Robo-advisors however allow for a comprehensive choice between a range of thematic options to be selected during the questionnaire. The remainder of the Robo-advisors propose sustainable investments to a very limited extent and often ask to change sustainability profile completely as no product is offered once a certain threshold of individual choices (regarding sustainability) are indicated in the questionnaires. Finally, as seen from our previous report, none of the Robo-advisors continue to disclose information on the sustainable portfolio / investing		

			strategy (integration, exclusion, engagement, impact).		
2. Misleading statements on the sustainability results and/ or 'real world' impact of a product, service, financial instrument, or entity. *E.g., Unsubstantiated claim that ascertains that a green loan/ investment (e.g., in energy improvement) will allow the customer to reduce home energy consumption by X%.*			Robo advisors - often omit impact of sustainability results too. Any ESG process implemented = Environmental outcomes in the real economy.The fund manager suggests that an ESG integration approach can be specifically related to an actual environmental outcome, which is not supported by any evidence.		
3. Misleading statements on the future sustainability commitments relying on medium and/or long-term plan (e.g., future GHG emissions			In its advertisement for the DWS Invest ESG Climate Tech Fund from 31.05.2022, DWS advertises that investors would invest 0% of their fund assets in companies from certain controversial sectors such as "coal" or "military equipment". This advertising is misleading because it is not transparently explained how DWS base such a claim. Furthermore, thresholds do not rule out the possibility that the undertakings held by the Fund nevertheless derive part of their turnover in the controversial sector. Investors are led to believe that they invest zero percent in coal, while the companies held in the fund, for example, are allowed to generate		

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.*			up to 14.99% turnover in the coal industry. DWS also claims that investors in the DWS Invest ESG Climate Tech Fund are investing "specifically in achieving climate goals" and that they are "helping to counteract climate change through targeted investing" or mitigating its effects. What DWS bases these statements on remains open and unclear in the advertising message. If an investment fund buys securities via stock exchange trading, this does not change the CO2 emissions of the companies held in the fund assets or those of the companies excluded from the fund assets. This lack of transparency is unacceptable, since the Taxonomy Regulation of the European Union requires transparent information for such environmental advertising.		

D.5.2. At entity level

	Business strategy	Internal corporate governance
1. Misleading statements on the current sustainability characteristics (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.*		
2. Misleading statements on the sustainability results and/ or 'real world' impact of a product, service, financial instrument, or entity. *E.g., Unsubstantiated claim that ascertains that a green loan/ investment (e. g., in energy improvement) will allow the customer to reduce home energy consumption by X%.*		
3. Misleading statements on the future sustainability commitments relying on medium and/or long-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.*		

Scale and prevalence of greenwashing

The questions below aim at assessing the overall materiality, understood as the scale and prevalence, of greenwashing practices by credit institutions, investment firms and payment service providers.
Please elaborate and provide any justification or evidence underlying your response, whenever possible.

Question D.6: In your view, the materiality of greenwashing by **credit institutions**, is:

	Low	Medium	High	Don't know
1. Currently	○	○	○	○
2. Going forward	○	○	○	○

Please briefly elaborate on your assessment:
4000 character(s) maximum

Question D.7: In your view, the materiality of greenwashing by **investment firms** is:

	Low	Medium	High	Don't know
1. Currently	○	○	●	○
2. Going forward	○	○	●	○

Please briefly elaborate on your assessment:
4000 character(s) maximum

Increasing retail investor mistrust
A large majority of EU citizens (89%) believe that buying environmentally friendly products can make a difference to the environment. New research (Heeb et al. (2022, 2021)) show that most investors who want to make a difference to the environment are willing to pay it. However, as shown by AMF (2021) most retail investors fall for most common environmental impact marketing claims and feel misled after explanation.

Loss of investments and capital flows
When greenwashing allegations have materialised and there are not many avenues for redress or compensation for smaller investors. This can also further the systematic abuse of minority shareholders and end user may become reluctant to build trust with companies and thus reduce their purchasing power or direct it towards non ESG products and services.

Reclassification of funds
Despite the purpose of the SFDR, to improve transparency in the market for sustainable investment products and to prevent greenwashing practices, we are witnessing the regulation's use as a labelling exercise due to the fact that funds and asset managers have plenty of leeway to interpret ESG credentials in various ways and switch back and forth between Article 6, 8 and 9 of the SFDR. If a product is labelled as Article 8 or 9, retail investors reasonably expect the product to have a certain level of ESG credentials, and the lack of clarity from the regulatory environment creates an additional barrier for retail investors and must be addressed through a legislative review. On the one hand, the market does not have a uniform interpretation, which risks being to the detriment of retail investor understanding of the financial products they are investing

in, while on the other there is little support for retail investors to enable them to properly distinguish between these two categories of financial products. This emerging trend of using SFDR categories as marketing labels creates significant risks of greenwashing.

Question D.8: In your view, the materiality of greenwashing by **payment service providers** is:

	Low	Medium	High	Don't know
1. Currently	○	○	○	○
2. Going forward	○	○	○	○

Please briefly elaborate on your assessment:

4000 character(s) maximum

Question D.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. 'Extremely irrelevant') to 5 (i.e. Extremely relevant') or 0 ('Don't know'), and elaborate if deemed appropriate].

	1 (Extremely irrelevant)	2 (Irrelevant)	3 (Neither irrelevant /relevant)	4 (Relevant)	5 (Extremely relevant)	0 (Don't know)
1. Operational risk including losses related to litigation and liability risks	○	○	○	○	●	○
2. Conduct risk	○	○	○	●	○	○
3. Reputational risk	○	○	○	○	●	○
4. Strategic and business risk	○	○	○	●	○	○
5. Funding risk	○	○	○	○	●	○
6. Liquidity risk	○	○	○	○	●	○
7. Credit risk	○	○	○	●	○	○
8. Market risk	○	○	○	○	●	○
9. Other (please specify below)	○	○	○	○	○	●

Please specify 'Other' here:

50 character(s) maximum

Please briefly elaborate on your assessment. On an optional basis, you may also indicate what types of risks other (non-credit) institutions would be most materially exposed to as a result of greenwashing in your opinion.

4000 character(s) maximum

Question D.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:

	Low	Medium	High	Don't know
1. For the credibility of sustainable financial markets	( )	( )	(x)	( )
2. For end-investors	( )	( )	(x)	( )
3. For individual customers	( )	( )	(x)	( )
4. For individual institutions	( )	( )	(x)	( )
5. For national (if applicable) financial stability	( )	( )	(x)	( )
6. For the EU financial stability	( )	( )	(x)	( )

Please briefly elaborate on your assessment:

4000 character(s) maximum

In terms of the consequences of greenwashing practices, the damage that greenwashing can cause on markets is well identified. Academic and policy research converges on an understanding that greenwashing can:

- increase consumer distrust and act as a barrier to responsible investing;
- create the conditions for unfair competition;
- and prevent the mobilization of ethical investments towards contributing to environmental policy objectives.

Greenwashing has been identified as leading to a ‘loss of confidence of retail investors who could be discouraged to invest in green assets [and to] potentially reduced investment in sustainable development’ (TEG, 2019, Taxonomy technical report, p. 96). These studies show that from the retail investor perspective, apart from the consumer protection issues, greenwashing can significantly undermine the EU sustainable finance agenda. Empowering retail investors to invest in accordance with their sustainability preferences is a foundation upon which much of the sustainable finance framework established in the Sustainable Finance Action Plan is heavily reliant. If retail investors think they are investing sustainably when (because of greenwashing) in reality they are not, this causes a market integrity problem where financial markets are not responding to retail investor sustainability preferences and are not reorienting capital towards sustainable investment. Thus if greenwashing occurs at sufficient scale, it can undermine EU sustainable finance policy. And if greenwashing leads to distrust which prevents retail investors investing in sustainable financial products this will further undermine EU sustainable finance policy – although whether this amounts to problems for financial stability is less clear.

Addressing greenwashing risks

The questions below aim at identifying the potential challenges to prevent greenwashing and at determining how greenwashing risk within EU credit institutions, investment firms and payment service providers could be further tackled. For some of the items listed, please provide a score from 1 (i.e., 'extremely irrelevant') to 5 (i.e., 'extremely relevant'), a brief explanation of the score as well as any justification or evidence underlying your response, whenever possible. Respondents are encouraged to provide a score to each item but may choose not to respond to some items (by reporting 0 ('Don't know')) if they consider themselves not in a position to express their view.

Question D.11: What are the main challenges to address greenwashing risk? [For each of the following items, please provide a score from 1 (i.e., 'Extremely irrelevant') to 5 (i.e., 'Extremely relevant'), or 0 ('Don't know')]

	1 (Extremely irrelevant)	2 (Irrelevant)	3 (Neither irrelevant /relevant)	4 (Relevant)	5 (Extremely relevant)	0 (Don't know)
1. Lack of relevant and reliable data on the sustainability credentials, performance and/or impact	○	○	○	○	●	○
2. Uncertainty/ambiguity about sustainability standards, sustainability benchmarks, and sustainability eligibility criteria	○	○	○	○	●	○
3. Lack of internal resources and knowledge to implement and monitor sustainability standards	○	○	○	○	●	○
4. Lack of third-party verification or supervision	○	○	○	○	●	○
5. Inappropriate legal basis and tool to investigate and take legal actions against greenwashing	○	○	○	○	●	○
6. Other (please specify below)	○	○	○	○	○	●

Please specify 'Other':

50 character(s) maximum

Please briefly elaborate on your assessment:

4000 character(s) maximum

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

- Tools and processes for (only) greenwashing specifically
- Tools and processes related to regular business conduct, risk management and regulatory compliance
- None

Please briefly elaborate on your assessment:

4000 character(s) maximum

<u>Question D.13</u>: 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., 'Extremely irrelevant') to 5 (i.e., 'Extremely relevant'), or 0 ('Don't know').

D.13.1. At institution level:

	1 (Extremely irrelevant)	2 (Irrelevant)	3 (Neither irrelevant/relevant)	4 (Relevant)	5 (Extremely relevant)	0 (Don't know)
1. Monitoring of factors and events that may give rise to reputational concerns	○	○	○	○	○	○
2. Code of conduct	○	○	○	○	○	○
3. Remuneration policies for sales staff that aim at mitigating the risk of mis-selling	○	○	○	○	○	○
4. Prudent communication for all sustainability -related communication	○	○	○	○	○	○
5. Internal control mechanism	○	○	○	○	○	○
6. Other (please specify below)	○	○	○	○	○	○

Please specify 'Other':

50 character(s) maximum

D.13.2. At product/service level:

	1 (Extremely irrelevant)	2 (Irrelevant)	3 (Neither irrelevant /relevant)	4 (Relevant)	5 (Extremely relevant)	0 (Don't know)
1. Applying market guidance and/or standards that contribute to anchor definitions and criteria						
2. Using external reviews and third verification parties						
3. Establishing a clear list of eligible projects and activities for sustainability lending/finance						
4. Clear new product approval process and policy that applies to sustainability products						
5. Other (please specify below)						

Please specify 'Other':

50 character(s) maximum

Please briefly elaborate on your assessment:

4000 character(s) maximum

Question D.14: In your opinion, to what extent is (or will) the EU regulations (or projects) on sustainable finance (e.g., Taxonomy regulation, EU Green Bond Standard, Eco-label project, SFDR and associated level 2 regulations, Pillar 3 ESG risks requirements under CRR, CSRD) help addressing greenwashing risk within EU banks, investment firms and payment service providers?
Please also comment on the expected benefits as well as on the potential shortcomings you may see in these regulations/projects presently?

4000 character(s) maximum

Ecolabel
According to the European Securities and Markets Authority's (ESMA) recent study on the EU Eco-label awarded to green retail financial products and services, only 16 funds out of a sample of 3000 meet the proposed minimum portfolio greenness threshold of 50% and exclusion requirements. In view of these findings, the supervisor has suggested loosening requirements in order to increase the number of sustainable investment products eligible for an Ecolabel. Such a relaxation of the requirements though may very well be counterproductive and to the detriment of the sustainable finance ecosystem as well as its users since it potentially increases the risk of greenwashing. Another issue with ESMA's research is the fact that it only considers taxonomy and exclusion-based approaches and entirely omits engagement strategies, thus skewing the findings of the study. BETTER FINANCE is of the view that there are significant limitations to taxonomy and exclusion-based approaches and invites the supervisory authority to consider engagement and the effect this may have on the number of eligible (sustainable) funds, instead of loosening requirements and thereby encouraging greenwashing practices.

SFDR
Despite the purpose of the SFDR, to improve transparency in the market for sustainable investment products and to prevent greenwashing practices, we are witnessing the regulation's use as a labelling exercise due to the fact that funds and asset managers have plenty of leeway to interpret ESG credentials in various ways and switch back and forth between Article 6, 8 and 9 of the SFDR. If a product is labelled as Article 8 or 9, retail investors reasonably expect the product to have a certain level of ESG credentials, and the lack of clarity from the regulatory environment creates an additional barrier for retail investors and must be addressed through a legislative review. On the one hand, the market does not have a uniform interpretation, which risks being to the detriment of retail investor understanding of the financial products they are investing in, while on the other there is little support for retail investors to enable them to properly distinguish between these two categories of financial products. Retail nonprofessional investors will be better protected from greenwashing if Article 9 funds are the sole carriers of a green classification, especially if accompanied by effective engagement mechanism and impact-oriented objectives towards a green transition.

EUGBS
There isn't a uniform increase towards green and sustainable bond issuance across all European countries, in fact the biggest contributors to this trend are Germany, France, and the Netherlands. Sustainable financial

instruments – such as green, sustainable and sustainability-linked bonds, and environmental, social and governance (ESG) funds – still represent less than 10% of their respective markets in the euro area.

Question D.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., 'Extremely irrelevant') to 5 (i.e., 'Extremely relevant'), or '0' if you do not know].

	1 (Extremely irrelevant)	2 (Irrelevant)	3 (Neither irrelevant /relevant)	4 (Relevant)	5 (Extremely relevant)	0 (Don't know)
1. Develop further labels	○	○	○	◉	○	○
2. Improve supervisory oversight	○	○	○	○	◉	○
3. Develop regulatory guidance	○	○	○	○	◉	○
4. Further increase transparency	○	○	○	○	◉	○
5. Other (please specify below)	○	○	○	○	○	◉

Please specify 'Other' here:

50 character(s) maximum

Please briefly elaborate on your assessment:

4000 character(s) maximum

Without the integration of investor impact in the regulatory framework, impact washing cannot be prevented. This must be accompanied with adequate guidance, methodologies and tools to evaluate and substantiate impact potential.

Additionally, the call for evidence is missing the integration of retail investor redress mechanisms, whereby retain investors that may wish to bring forward a case/claim against a financial institution regarding greenwashing can be accommodated.

Retail investors are also left in the dark regarding the way greenwashing practices are addressed by regulators and the steps a non-professional investor should take in order to avoid being exposed to greenwashing, with the most recent example in Europe being that of investigations into alleged greenwashing practices at DWS, which seem to be on hold since summer 2022. Investors and shareholders are looking for answers regarding the progress made so far, but no clear and publicly available information has been made available since. The investigations led by SEC and BaFIN have not given any granular information on what investors should expect.

On an optional basis, please upload any documents (reports, position papers, press articles...) you deem relevant for the purposes of EBA part of the survey on greenwashing:

E. EIOPA section of the CfE

Greenwashing and its risks in the insurance and pensions sectors

Question E.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):

4000 character(s) maximum

Greenwashing can negatively impact insurance/pension providers with the broad categories of risk articulated in the question. Preventing greenwashing practices remains of utmost importance. Sustainable investments should be subjected to the same risk assessment procedures as any other investment by insurers. In other words, ‘green’ or other assets deemed socially or politically desirable should not benefit from a preferential prudential treatment that would not be risk-based. Transparency is fundamental to Solvency II, and it is especially important to share sustainability information with policyholders, who have a direct interest in how their insurance company is doing. Disclosure via the Solvency and Financial Condition Report (SFCR) should also include relevant sustainability information. All SFCRs should be easily and freely accessible – including in terms of language and presentation – online. (1) BETTER FINANCE's research on 'The Real Return of Long Term Pension Savings' report also observed how lack of clarity on sustainability metrics can have negative effects on pension providers (2).

(1) https://betterfinance.eu/wp-content/uploads/Solvency-II-sustainability-requirements-joint-position-30-November.pdf
(2) https://betterfinance.eu/wp-content/uploads/The-Real-Return-Long-Term-Pension-Savings-Report-2022-Edition.pdf

Internal monitoring of greenwashing (Targeted stakeholders for this set of questions: insurance and pension providers)

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

- Yes
- No, but you are planning to
- No

Question E.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)?

- Yes
- No, but you are planning to
- No

Internal monitoring of greenwashing (Targeted stakeholders for this set of questions: insurance intermediaries)

Preventing and monitoring greenwashing:

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

- Yes
- No, but you are planning to
- No

Other considerations related to the Insurance and Pensions sector

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

Question E.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)

- [x] Yes
- No
- I don't know

Question E.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)

- [x] Yes

- No
- I don't know

Question E.5.3: If you said yes or no to questions 5.1 and/or 5.2, please explain your reasoning below:

4000 character(s) maximum

BETTER FINANCE would like to draw attention to the risk of "impact washing". Investor impact is not the same as investee company impact. If we take the climate context as an example, investor impact can be defined as the change that the investor causes in the activities of real-economy actors (most often the investee company benefitting from the investment) that directly or indirectly reduces GHG emissions. Meanwhile investee company impact is the change that the company has caused in the real economy. Note that either investor impact or investee company impact can be positive (e.g. a reduction in emissions) or negative (e.g. an increase in emissions).

Climate change is one of the biggest threats (among geopolitical duress, terrorism, and others)
In the first half of 2022 alone, global insured losses due to climate-change related catastrophes were estimated at USD 35 billion – 22 per cent above the average for the past ten years, according to the latest ECB Financial
Stability Review. Climate change will also directly affect the value of certain assets as we transition away from a carbon-intensive economy, in a context where increasing costs deriving from Covid19 are already impacting the (re)insurance industry.

Question E.6: In your view is this situation greenwashing: 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.

- (x) Yes
- No
- I don't know

Question E.6.1: If you answered yes or no to question E.6 please explain your reasoning below:

4000 character(s) maximum

If the insurance/pension provider has consequential voting shares in various companies and making claims about improving environmental and social factors via its investments in companies but is not using these voting shares to push these companies to become more sustainable, then this is likely to indicate greenwashing. Many pension savers and insured have clear sustainability preferences and choosing a concrete insurance/pension provider, consequently, may be determined by their claims about improving ESG factors. Making such claims, and not following them up with any actions seems like an intentional false green marketing campaign.

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

4000 character(s) maximum

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

4000 character(s) maximum

F. ESMA section of the CfE

The ESMA-specific section of the survey below covers questions relevant to entities and products under ESMA's remit.

All financial market participants and issuers under the remit of ESMA are invited to provide answers to this section. Other stakeholders ranging from retail investors and consumers associations to NGOs and academia are also invited to participate to the extent the views and expertise provided are relevant to ESMA's activities.

Understanding the drivers and the scale of greenwashing risks

As stated previously, the drivers of greenwashing are multifaceted and better understanding them is critical to addressing the issue.

Question F.1. Which, of the elements listed below, do you consider to be the main driver(s) of greenwashing risks? [multiple answers possible]

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

Please elaborate briefly on the answer to question F.1

500 character(s) maximum

In general, all of these elements listed in the question could drive further greenwashing. Both sides (asset managers and individual investors) face increasing difficulties with regard to the reliability of ESG ratings: how can one identify "greenwashing" in the absence of an objective reference? The divergent methodologies and scoring systems used by ESG rating providers make it very difficult to undertake fact-based ESG investing and ultimately lead to increase in greenwashing practices.

Through the questions below, we seek to better understand which ESG aspect(s), which segment(s) of the sustainable investment value chain, and which asset class(es) or product category(ies) may be more prone to greenwashing risks, in relative terms.

Question F.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)

	1 = very low occurrence	2 = low occurrence	3 = medium occurrence	4 = high occurrence	5 = very high occurrence
a) Environmental aspects					(x)
b) Social aspects					(x)
c) Governance aspects					(x)

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

	1) Greenwashing practices are... more likely at entity-level	2) ... more likely at product /service-level	3) ... equally likely at entity and product /service levels	Not Applicable
Investment managers[1] *[1] For Investment Management, entity-level claims refer to claims made by asset managers under the scope of SFDR. Product-level claims refer to claims regarding investment products like investment funds.*			(x)	
Investment firms[2] *[2] For investment firms, entity-level claims refer mostly to claims made by product distributors and manufacturers. Product-level claims refer to claims regarding: a) products: all financial instruments (within the meaning of Article 4(1)(15) of MiFID II) (b) services: portfolio management and investment advice.*			(x)	
Issuers [3] *[3] For Issuers' disclosure and governance, entity-level claims refer to claims made by issuers under the scope of NFRD, the upcoming CSRD and/or the Taxonomy*		(x)		

Regulation (TR). Product-level claims relate to financial securities and instruments that fall under the remit of ESMA.				
Benchmarks administrators[4] *[4] For Benchmarks, entity-level claims refer to claims made by benchmark administrators. Product-level claims refer to claims regarding benchmarks.*	○	◉	○	○
Other	○	○	○	◉

Please elaborate on the answer provided to question F.3

1000 character(s) maximum

Retail investors need reliable and comparable information as well as guidance for their investments. A product should explain what it does and do what it says. Subsequently, greenwashing can take many forms, one of which is the act of misleading consumers regarding the environmental, social or governance practices of a company or their associated benefits (whether a product or service) and expected impact (company or investor). With the rapid development of sustainability-denominated financial products, it is becoming increasingly important to assess their impact on the real economy. Greenwashing needs to properly draw attention to the difference between investor impact and investee company impact.

Question F.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.

4000 character(s) maximum

1. ESG ratings for issuers and funds are more prone to greenwashing due to lack of transparency in relation to methodologies used to determine the level of sustainability of a given company. The easiest way for an investor to assess how well an investment performs ESG-wise, is to double-check its rating by specialised third-party providers, or platforms. A few platforms also award labels or ratings on request. These platforms establish methodologies and evaluate investments, mostly independently, and play an important role in guiding investors through this complex and heterogenous field. However, platforms perform a peer group rating of the issuers and funds. This means that ESG performance is calculated and assessed in isolated comparison within the industry sector or group in which the issuer or fund is active, which presents several important flaws. The most important one is that “brown” sector companies can and will appear higher rated than “green” companies. For example, a traditional energy company could receive a high score compared to other companies in the same sector. At the same time a renewable energy company could receive a lower score in its own peer group. There are also multiple rating systems (ranging from categories CCC-AAA, low to high, risk classes and combinations. This leads to ESG ratings not being comparable between various providers/platforms and this is not new as for many years, academic papers and specialised publications have found heterogeneity in ESG ratings and sustainability indices. Authors note that divergences in ESG ratings do not result merely from “differences in opinions, but also by disagreements in underlying data” and weightings, while others observed very small correlation coefficients between large platforms, also referred to as “ESG rating disagreements”.

2. Lowering requirements to the proposed EU Ecolabel can also aid further greenwashing risks. ESMA's recent study on the EU Eco-label awarded to green retail financial products and services, found only 16 funds out of a sample of 3000 that meet the proposed minimum portfolio greenness threshold of 50% and

exclusion requirements. In view of these findings, it has been suggested loosening requirements in order to increase the number of sustainable investment products eligible for an Ecolabel. Such a relaxation of the requirements though may very well be counterproductive and to the detriment of the sustainable finance ecosystem as well as its users since it potentially increases the risk of greenwashing. Another issue with ESMA’s research is the fact that it only considers taxonomy and exclusion-based approaches and entirely omits engagement strategies, thus skewing the findings of the study. BETTER FINANCE is of the view that there are significant limitations to taxonomy and exclusion-based approaches and invites the supervisory authority to consider engagement and the effect this may have on the number of eligible (sustainable) funds, instead of loosening requirements and thereby encouraging greenwashing practices.

3. Despite the purpose of the SFDR, to improve transparency in the market for sustainable investment products and to prevent greenwashing practices, we are witnessing the regulation's use as a labelling exercise due to the fact that funds and asset managers have plenty of leeway to interpret ESG credentials in various ways and switch back and forth between Article 6, 8 and 9 of the SFDR. If a product is labelled as Article 8 or 9, retail investors reasonably expect the product to have a certain level of ESG credentials, and the lack of clarity from the regulatory environment creates an additional barrier for retail investors and must be addressed through a legislative review. Retail nonprofessional investors will be better protected from greenwashing if Article 9 funds are the sole carriers of a green classification.

Annex to question F.4 - please upload any file, if applicable.

Question F.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).

	1 = very low occurrence	2 = low occurrence	3 = medium occurrence	4 = high occurrence	5 = very high occurrence	Not applicable
a) Equity (common shares, other equity instruments)					X	
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)					X	
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: UCITS funds, AIFs, ETFs, Private Equity funds or other funds (e.g. Hedge Funds, ELTIFs)					X	
f) Benchmarks: Paris-aligned (PAB), Climate transitioning (CTB) Climate Benchmarks, other climate benchmarks or ESG benchmarks						
g) Other MiFID II instruments (e.g. securitisations)						
h) Other products/services (please specify below)						X

Question F.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 the claims. Based on you experience, we would like to understand which transmission trajectory may be more prone to greenwashing risks. For each trajectory listed below, 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)

	1 = very low occurrence	2 = low occurrence	3 = medium occurrence	4 = high occurrence	5 = very high occurrence	Not applicable
a) Issuer X --> Issuer Y[1] --> Investor or benchmark administrator *[1] At entity-level, Issuer Y might be claiming to engage with its suppliers, including Issuer X, about a given E or S topic (e.g. human rights violations). Assuming Issuer X makes misleading claims about this topic, these claims can thus be spread by Issuer Y*	○	○	○	○	●	○
b) Issuer --> Benchmark administrator --> Investment manager --> Investor	○	○	○	○	●	○
c) Benchmark administrators --> MiFID II manufacturer (e.g. ETF provider) --> Investment manager --> Investor	○	○	●	○	○	○
d) Benchmark administrator --> Investment manager --> Investor	○	○	●	○	○	○
e) Investment manager --> Institutional investment managers[2] --> Investor *[2] The institutional investment managers could select the first asset manager as an underlying investment in their products (e. g. fund of funds), which are then sold to final investors*	○	○	○	○	●	○
f) Investment manager --> MiFID II Distributor (e.g. Investment firm) --> Retail Investor	○	○	○	○	●	○

g) ESG ratings provider --> Investment manager --> Investor	○	○	○	○	●	○
h) ESG ratings provider --> Benchmark administrator --> Investor	○	○	○	○	●	○
i) Issuer --> Investment manager --> Investor	○	○	○	○	●	○
j) Issuer --> MiFID II Distributor (e.g. Investment firm) --> Retail Investor	○	○	○	○	●	○
k) Other (please specify below)	○	○	○	○	●	○

Question F6.1 If you scored "Other", please specify:

Unlike many financial institutions, retail investors have no duty of due diligence in relation to the information they receive. In addition, retail investors on average will be less sophisticated in their analysis of information and have less financial literacy and sustainable finance literacy than financial institutions. Indeed, financial institutions have fiduciary duties to act in the best interests of their clients precisely to address these points.

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