
GREENWASHING MONITORING AND SUPERVISION

FINAL REPORT

EBA/REP/2024/09

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Executive Summary

This Final Report is the EBA's response to the European Commission's request to provide input on the phenomenon of greenwashing, including its most relevant types and occurrences, risks that greenwashing poses, supervisory practices, gaps and challenges in addressing these risks. It builds on the Progress Report published by the EBA in May 2023 and focuses mostly on the banking sector, while covering investment firms and payment service providers to a more limited extent.

The Final Report reiterates the ESAs' common high-level understanding of greenwashing as a practice whereby sustainability-related statements, declarations, actions, or communications do not clearly and fairly reflect the underlying sustainability profile of an entity, a financial product, or financial services. This practice may be misleading to consumers, investors, or other market participants.

The quantitative analysis of the greenwashing phenomenon in the EU shows a clear increase in the total number of potential cases of greenwashing across all sectors, including EU banks from 2012 to 2023. The total number of alleged cases continued to increase in 2023 (+21.1% in all regions and +26.1% in the EU compared to 2022). Greenwashing controversies remain amplified towards EU financial and banking institutions.

The Final Report takes a deeper look on the actual and potential alleged greenwashing occurrences as reported by the Competent Authorities (CAs) and provides updates on the adverse impact that greenwashing can have on the financial risks of institutions and on consumers. The views of the CAs on the materiality of greenwashing risk to banks remain overall stable, with some CAs noting it has become a more relevant issue. Reputational and operational risks are still considered as the types of financial risks most impacted by greenwashing, which is in line with the observation that litigation risk resulting from greenwashing has been in a rising trend in the last three years.

As institutions expand their offering of sustainable finance products and are adapting their business models to meet challenges in relation to the transition towards a more sustainable economy, addressing greenwashing is key to provide confidence in the market and maintain the trust of investors and consumers. This is relevant both in the context of specific products and services and for entity-level claims and commitments. In this context, market's best practices, regulation and supervision have a role to play in addressing integrity concerns.

Institutions should take all necessary steps to ensure that sustainability information provided is fair, clear, and not misleading. This includes observing key principles for sustainability claims to be accurate, substantiated, up to date, fairly representative of the institution's overall profile or the profile of the product, and presented in an understandable manner. Institutions should review and adapt their governance arrangements and internal processes to build safeguards against greenwashing, take a proactive approach in addressing data challenges, and consider the extent to which external verification and alignment with market guidance would support credibility of green or sustainable products and/or targets.

At the entity level, institutions should substantiate forward-looking sustainability commitments such as net-zero pledges with credible plans and strategies, provide clear and granular information on their green and sustainable finance targets, and integrate greenwashing-related financial risks as part of their management of conduct, operational and reputational risks. At the product level, institutions should establish and report clear criteria, definitions and indicators for products and/or services labelled as green or sustainable. They should also apply rigor and closely engage with counterparties in designing sustainability-linked products in particular sustainability-linked loans.

At a legislative and regulatory level, the EBA considers that the most effective way forward to address greenwashing by EU banks is to focus on the finalisation and implementation of the existing and planned initiatives. Existing frameworks and on-going developments provide key foundations to address several aspects of greenwashing concerns in the banking sector. This includes rules on consumer/investor protection that provide the legal basis for tackling misleading statements, and sustainable finance related developments, including ESG disclosures and transition plans that should enhance transparency on sustainability practices. However, several measures are still in the early stages of implementation, while others are being updated or developed, suggesting that benefits of these frameworks are not fully visible yet.

In the short term, priority should be given to supporting a robust implementation of the full set of new regulations and to overcome the identified challenges. Efforts to address data, usability, consistency and international interoperability issues should be pursued. Further developments on aspects that are relatively less regulated (transition finance, green- and sustainability-linked loans) or where specific issues have been identified (review of the Sustainable Finance Disclosure Regulation (SFDR)) would contribute to the robustness of the regulatory framework.

The EBA recommends CAs to pursue their planned and on-going efforts and activities to identify and monitor greenwashing within the remit of their respective prudential supervision and/or conduct supervision mandate. CAs are encouraged to make use of the existing supervisory framework to the largest extent possible. Furthermore, building-up the capacities and fostering financial education are crucial to appropriately account for and mitigate greenwashing risks.

Complementary to the recommendations to CAs, the EBA will provide regulatory guidance on how to address greenwashing-related aspects within prudential supervision and will facilitate knowledge sharing between CAs on best supervisory practices. Finally, the EBA will continue monitoring greenwashing-related trends and risks in the EU banking sector.

1. Introduction

1.1 Background

1. In May 2022, the European Supervisory Authorities (ESAs) received a request for input from the European Commission requesting each ESA within its sectoral remit and competencies to provide input on the phenomenon of greenwashing, first in the form of progress reports by May 2023, followed by final reports by May 2024, including policy recommendations.
2. The advice from each ESA was requested on:
 - a. Common high-level understanding on greenwashing with key features;
 - b. Most relevant types of greenwashing, its occurrences and complaints related to it;
 - c. Risks that greenwashing poses to financial sector entities, investors and consumers;
 - d. Supervisory practices, experiences and capacities, including tools to monitor greenwashing;
 - e. Gaps, inconsistencies and problems in the current legislative framework.
3. This Final Report is the EBA's response to the European Commission covering the areas listed under para 2 as stated above. In line with the request, the Progress Report published in May 2023 was a stock take of the current situation, providing initial findings and proposing a common high-level understanding of greenwashing by the three ESAs. The Final Report reiterates the common high-level understanding and follows up on the findings from the Progress Report. It also provides recommendations to institutions, supervisors, and policymakers.

1.2 EBA's approach and contents of the Final Report

4. The Progress Report published in May 2023 served mostly as a stock take of the current situation to understand the awareness, views and approach by market participants and supervisors when tackling greenwashing. The Final Report builds on the Progress Report, and investigates further the phenomenon, its trends, types and specific cases as reported by the CAs. The Report also looks into the impact it has on financial risks and the market practices to address and tackle greenwashing.
5. Chapter 2 of this report reminds the high-level understanding of greenwashing by the three ESAs, as already included in the Progress Report.
6. Chapter 3 provides an updated overview of the evolution of the greenwashing phenomenon since 2012. It first presents quantitative trends across companies, sectors, and geographic area, and then focuses on greenwashing in the EU financial sector and EU banks with updated data and analysis compared to the Progress Report. This part is based on the data from the third-party data provider RepRisk. The second part of Chapter 3 looks into the alleged cases of greenwashing that the CAs have encountered in their supervisory work or via media coverage.

It also covers the greenwashing risk and its impact on financial risks, with a deeper look into litigation risk. This part is largely based on the survey that the EBA conducted among its CAs in 2022 for the purposes of the Progress Report, and a follow-up survey that was carried out at the end of 2023.

7. Chapter 4 assesses how the EU regulatory framework can contribute to addressing greenwashing, identifies challenges and areas for potential complements, and proposes recommendations to policymakers to foster implementation and enhance effectiveness of the EU framework in tackling greenwashing.
8. Chapter 5 presents principles and practices that could help institutions mitigate the risk of greenwashing. It builds on the description included in Progress Report of some market practices described by stakeholders on how they address greenwashing¹, takes into account recent supervisory or regulatory initiatives to tackle misleading sustainability claims² and provides an indicative list of tools, processes and initiatives that are considered as potential mitigants to some identified drivers and types of greenwashing. These principles and practices are the basis for the recommendations proposed for the institutions.
9. Chapter 6 focusses on the role, tools and practices of CAs in the remit of the EBA in relation to greenwashing, covering banking supervision from both a prudential perspective and a conduct / consumer protection perspective. It builds on the information laid down in the Progress Report and is updated by the findings from the follow-up survey to the CAs. The first part of this chapter provides a snapshot of the CAs' mandates and resources related to greenwashing and walks through the existing or planned supervisory practices. Further, this part elaborates how the existing EBA Guidelines may be used to address aspects of greenwashing and to what extent CAs' actions related to tackling greenwashing already build on these Guidelines. The second part sets a pathway to further enhance effective and consistent supervision in the EU by proposing policy recommendations to CAs and the EBA.

¹ EBA Progress Report on greenwashing monitoring and supervision, section 4.2, May 2023

² EIOPA opinion on sustainability claims and greenwashing in the insurance and pensions sectors, FCA finalized non-handbook guidance on the anti-greenwashing rule, April 2024

2. Understanding greenwashing

10. The drivers of greenwashing are multifaceted and complex. These include a considerable increase in demand for products with sustainability features, the competitive drive for companies to improve their sustainability profile, including sustainable product offering, a fast-evolving regulatory landscape, inconsistencies or lack of clarity of certain regulatory provisions and concepts, data quality and availability issues, lack of expertise and skills within the financial system, and financial literacy gaps. Clearly defining and better understanding greenwashing is a key step towards better tackling its causes and drivers.
11. Even though there are several references to greenwashing in the EU regulatory framework (the Taxonomy Regulation, the SFDR Delegated Regulation, as well as in amending MiFID II and IDD Delegated Regulations), they do not cover all potential forms of greenwashing under the three ESAs' remits (for the overview of the currently available definitions, please see the Annex to the EBA's Progress Report, published on 31 May 2023).
12. The Progress Reports published by the three ESAs proposed a common high-level understanding of greenwashing risks that need to be monitored, assessed, and addressed in the financial system, in order to protect consumers, investors and other market participants. The high-level understanding was introduced as a shared reference point to market participants that deal with the issue and help inform supervisors, enforcement activities as well as regulatory interventions and remains valid for the Final Reports. As the Final Reports are the ESAs' response to the Call for Advice by the Commission and do not root on a legal mandate, the high-level understanding is not intended to be elevated into a regulatory definition but is meant to keep its character as a starting point for advocating certain future developments, including possible regulatory definitions, in the regulatory framework and prioritising supervisory action.

2.1 A common ESAs high-level understanding of greenwashing

13. The three ESAs high-level understanding is that greenwashing is **a practice whereby sustainability-related statements, declarations, actions, or communications do not clearly and fairly reflect the underlying sustainability profile of an entity, a financial product, or financial services. This practice may be misleading to consumers, investors, or other market participants.**
14. In addition, the ESAs have identified several core characteristics that help understand the potential scope of greenwashing:
 - i. Similarly to communication of other misleading claims there are several ways in which sustainability-related statements, declarations or communications may be misleading. On the one hand, communications can be **misleading due to the omission of information** relevant to consumers, investors or other markets participants' decisions (including but not limited to partial, selective, unclear, unintelligible, vague, oversimplistic, ambiguous or untimely information, unsubstantiated statements). On the other hand, communications can be **misleading due to the**

actual provision of information, that is false, deceives or is likely to deceive consumers, investors or other market participants (including but not limited to mislabelling, misclassification, mis-targeted marketing, inconsistent information).

- ii. Similarly to other misleading actions, greenwashing is a type of misconduct which may not only result in a direct claim but in **misleading actions**. Potential examples include identifying clients with sustainability preferences within the positive target market of a product that does not have any sustainability features (in the product design phase) or not taking duly into account clients' sustainability preferences in the advice phase.
 - iii. Sustainability-related misleading claims can occur and spread **intentionally or unintentionally**, whereby intentionality, negligence, or the lack of robustness and appropriateness of due diligence efforts could, where relevant, constitute aggravating factors in the context of supervisory and enforcement actions.
 - iv. Greenwashing can occur either **at entity level** (e.g. in relation to an entity's sustainability strategy or performance), **at financial product level** (e.g. in relation to products' sustainability strategy or performance) or **at financial service level** including advice (e.g. in relation to the integration of sustainability-related preferences to the provision of financial advice).
 - v. Greenwashing can occur at any point where sustainability-related statements, declarations, actions or communications are made, including **at different stages of the business cycle of financial products or services** (e.g., manufacturing, delivery, marketing, sales, monitoring) **or of the sustainable finance value chain**.
 - vi. Greenwashing may occur in relation to the application of specific disclosures required by the **EU sustainable finance regulatory framework** or in relation to general principles – as featured either in the general **EU financial legislation** or more specifically in EU sustainable finance legislation. In addition, greenwashing may occur in relation to entities that are **outside of the remit of the EU sustainable finance legislation as it currently stands**.
 - vii. Greenwashing can be **triggered by the entity to which the sustainability communications relate**, by the **entity responsible for the product**, by the **entity providing advice or information on the product**, or it can be triggered by **third parties** (e.g. ESG rating providers, or third-party verifiers).
 - viii. Greenwashing may or may not result in immediate **damage to individual consumers or investors** (in particular through mis-selling³) or the gain of an unfair competitive advantage. Regardless of such outcomes, if not kept in check, greenwashing may undermine trust in sustainable finance markets and policies.
15. In the context of the summary statement outlined above, “entities” are understood to be financial or non-financial undertakings or intermediaries that manufacture, issue and/or distribute financial

³ EU regulations do not provide a definition of mis-selling, and the concept is generally understood as encompassing different practices such as unauthorised entities providing financial services, authorised entities providing unauthorised products or services and/or authorised financial intermediaries unsuitably selling financial products or services to clients (i.e. not accounting for their actual characteristics and needs). In the case of the greenwashing request for input, we are considering this latter case of market not responding properly to consumers or investors preferences.

products; “financial product or financial service” is used to cover all financial instruments, securities and investment, banking, insurance and pension products as well as all financial services relevant for each sector considered; “consumers” encompasses all retail and professional customers/clients “entities”.

16. For the purposes of the Progress Report, the ESAs launched a survey to stakeholders to gather the evidence and views, including market practices, on greenwashing from the market participants. The survey also included questions on a common high-level understanding of greenwashing proposed by the three ESAs, and the results were included in the Progress Report.
17. Having analysed the feedback to the proposed common high-level understanding and core principles, the ESAs are of a view that it is sufficiently broad to encompass the greenwashing phenomenon in the three ESAs’ remit while not being overly specific and leaving room for possible future developments.

3. Greenwashing trends, types and financial risks

3.1 Greenwashing trends

18. The quantitative analysis presented in this section is based on the data collected by RepRisk⁴, which gathers ‘risk incidents’ (criticism and events) of companies associated with misleading communication around ESG issues, including for example criticisms of an advertising campaign deceiving consumers on environmental objectives, research findings revealing that a company is overstating the social impact of an initiative, or a company’s website promoting ESG activities and business conduct in contrast to its actual sustainability practices. RepRisk captures alleged cases of greenwashing, i.e. greenwashing incidents reported in public sources. While RepRisk does not verify or validate reported allegations, each alleged incident is identified and assessed in a systematic, transparent and rule-based way, including through quality checks and regular reviews of the classification of sources. However, caution should be exercised when reading the analysis due to the “alleged nature” of the claims and the different sources of data that could impact the quality of analysis.

3.1.1 Findings based on Progress Report and updated quantitative data

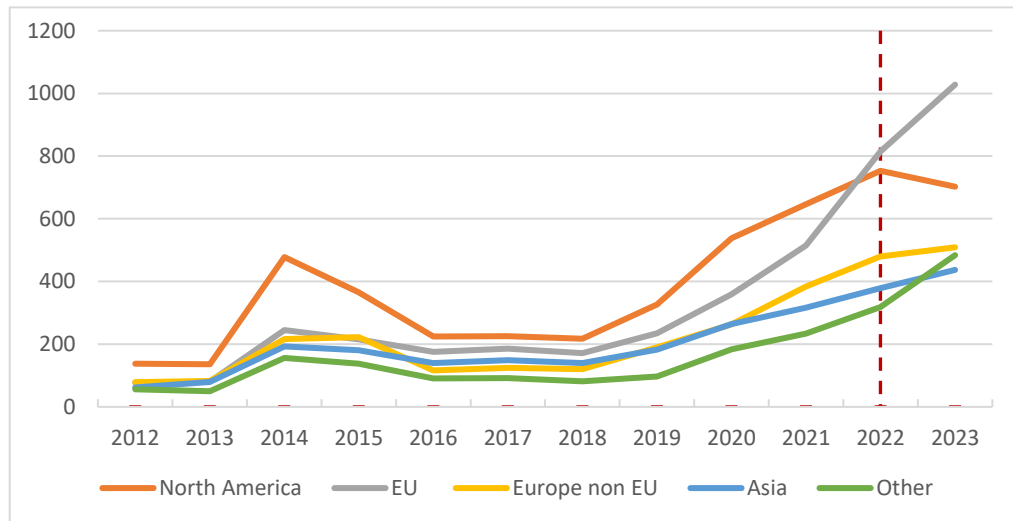
a. Greenwashing across all companies, sectors and regions

19. As a whole (all companies, sectors and regions), the total number of alleged cases of misleading communication on ESG related topics reported by stakeholders continued to rise in 2023 – by 21.2% (2119 alleged cases in 2023 vs 1749 in 2022), which was 7.3 times higher than in 2012 (Figure 1). Even though the number of alleged cases declined in North America (-6.8%), it continued to grow in all other regions in 2023 with +26.1% in the EU, +6% in Europe non-EU and +51.7% in the region ‘Other’⁵. The slight decline in the North America can possibly be explained with the backlash in ESG matters and thus less reporting on it.

⁴RepRisk ([link](#)) is an ESG data provider, which collects information on companies’ and infrastructure projects’ ESG and business conduct risk to support decision-making by investors, banks insurers and other corporates. It takes an outside-in approach to ESG by processing and analysing ESG data from various public sources and stakeholders (such as NGOs, regulators, press, social media, think tanks and research firms) and by intentionally excluding company’s self-disclosures). RepRisk’s [methodology](#) is public.

⁵ ‘Other’ includes all other areas that are not EU, Europe non-EU, North America, and Asia.

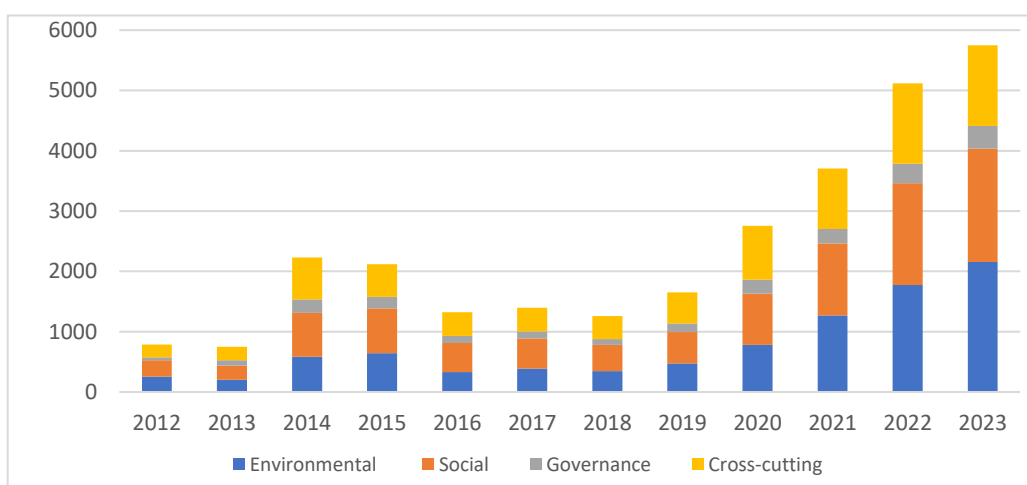
FIGURE 1. TOTAL ALLEGED INCIDENTS OF MISLEADING COMMUNICATION ON ESG RELATED TOPICS BY GEOGRAPHIC LOCATION (2012-2023)



Source: RepRisk ESG Data Science, www.reprisk.com

20. Alleged cases of greenwashing also continued to increase in all three ESG dimensions in 2023, with environmental and social related issues as the most prominent topics subject to greenwashing (37% and 33% respectively of all alleged cases). Alleged greenwashing cases related to governance issues (such as anti-competitive practices, corruption, bribery, money laundering, tax evasion and executive remuneration) also increased but remain relatively small. Finally, cross-cutting incidents that include any combination of environmental, social and/or governance related issues accounted for 23% of all alleged cases (Figure 2).

FIGURE 2. TOTAL ALLEGED INCIDENTS OF MISLEADING COMMUNICATION ON ESG RELATED TOPICS

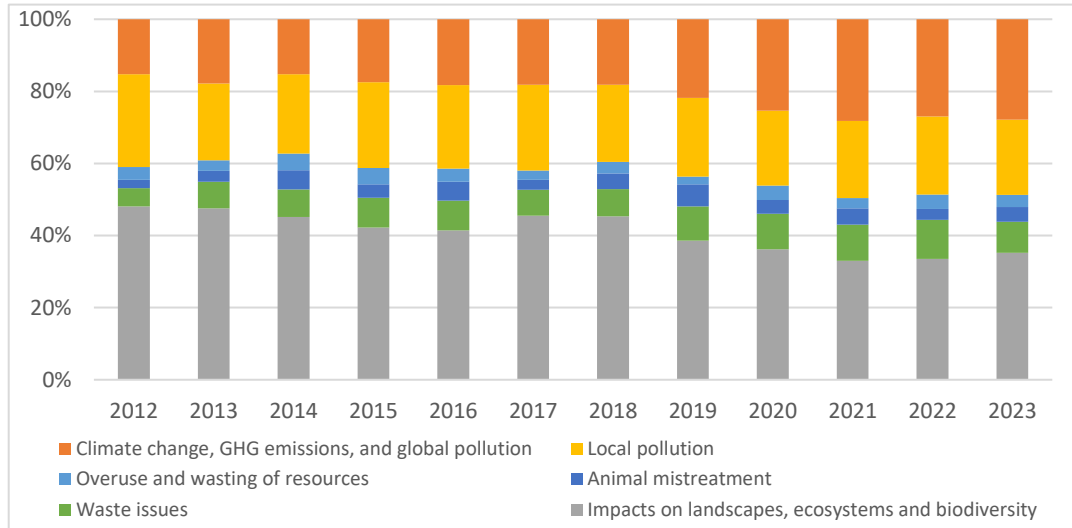


Source: RepRisk ESG Data Science, www.reprisk.com

21. Regarding **environmental issues**, climate related topics accounted for ca. 30% of the total of alleged greenwashing cases related to environmental issues against 15% in 2012, hence remaining the

second most prominent green items subject to greenwashing by companies after the impact on landscape, ecosystem, and biodiversity (35% in 2023) (Figure 3).

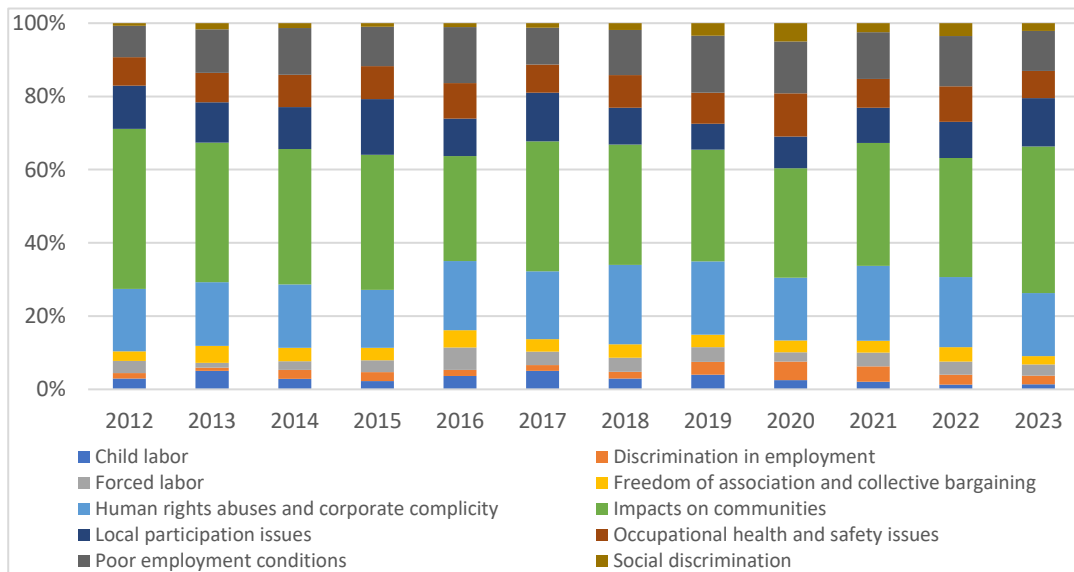
FIGURE 3. TYPE OF ENVIRONMENTAL TOPICS INVOLVED IN ALLEGED INCIDENTS OF GREENWASHING



Source: RepRisk ESG Data Science, www.reprisk.com

22. Regarding **social issues**, ‘impact on communities’, which mostly entails impact to health and economic impact on local communities, continued to be the most common topic subject to ‘greenwashing on social topics’ by companies worldwide. Its share increased from 33% in 2022 to 40% in 2023, while alleged miscommunications on employment conditions (discrimination and poor employment conditions) and local participation issues tend to become more prominent in recent years (Figure 4).

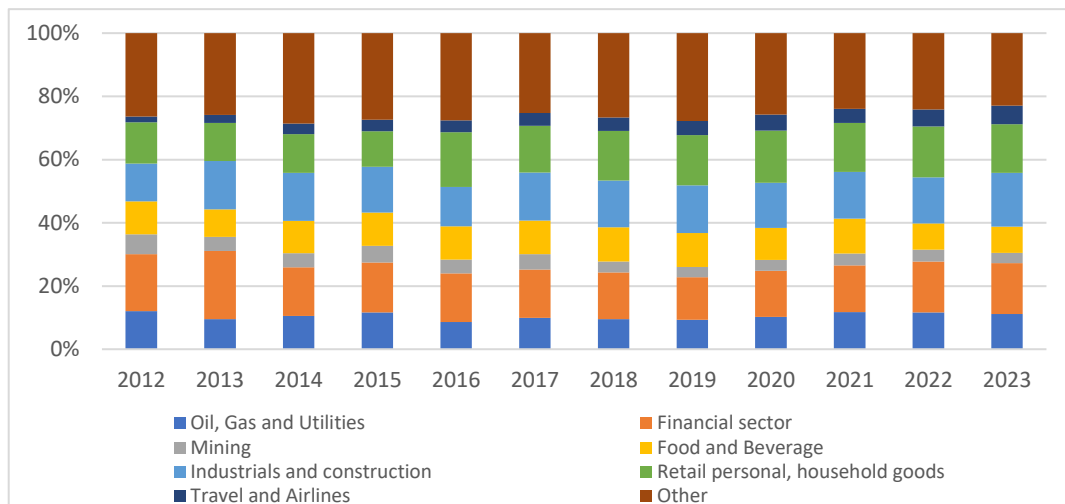
FIGURE 4. TYPE OF SOCIAL TOPICS INVOLVED IN ALLEGED INCIDENTS OF GREENWASHING ON SOCIAL TOPICS



Source: RepRisk ESG Data Science, www.reprisk.com

23. Alleged cases of greenwashing have also been occurring in all **economic sectors**. However, it has been mostly concentrated around six activities including oil, gas and utilities, mining, industrial construction, food and beverage, household goods and the financial sector. The latter accounted for ca. 16% of alleged greenwashing cases observed worldwide in 2023 (the same as in 2022), including insurance (1%) banks (3%) and financial services (12%) (Figure 5).

FIGURE 5. SECTORS INVOLVED IN ALLEGED GREENWASHING INCIDENTS

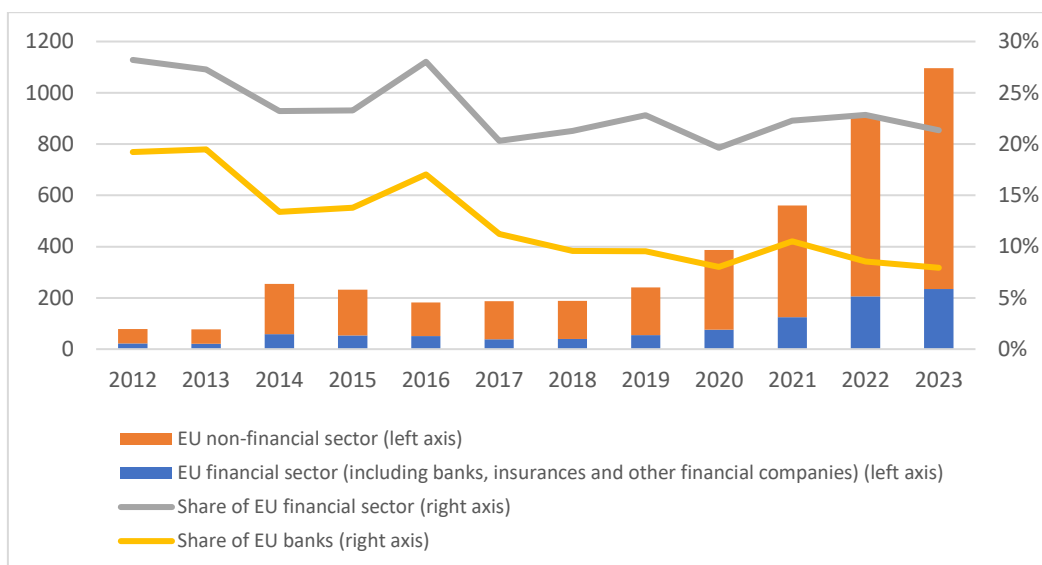


Source: RepRisk ESG Data Science, www.reprisk.com

b. Greenwashing in the EU financial sector and the EU banking sector

24. Alleged greenwashing cases in the EU financial sector (including the EU banks) increased significantly until 2022 (around 206 cases reported in 2022 against 40 in 2018), and the growth continued in 2023 (13.6% increase compared to 2022). Moreover, the EU financial sector accounts for a higher share of the total alleged greenwashing cases reported by stakeholders on EU companies in 2023. In 2023, the EU financial sector accounted for 21% (including 8% for the EU banks) of the total alleged greenwashing cases involving an EU company (Figure 6). However, a slight decrease (from 23% and 9% respectively) has been observed here compared to 2022.

FIGURE 6. NUMBER OF ALLEGED GREENWASHING INCIDENTS IN THE EU FINANCIAL AND BANKING SECTOR



Source: RepRisk ESG Data Science, www.reprisk.com

25. The three most common topics subject to greenwashing claims in the EU financial sector, including EU banks, are climate change, impact on landscape and biodiversity and impact on local communities, which is in line with the trends observed in the other sectors.

3.2 Greenwashing occurrences

26. In order to analyse the greenwashing phenomenon and its occurrences, the EBA asked the CAs⁶ under its remit if they had received any complaints (anonymous or public) related to possible greenwashing in banking, investment firms or payment service market. Only one CA out of 29 responded having received a complaint. This concerned a case already identified in the previous survey about a credit institution that was advertising an investment fund as delivering a positive environmental impact. In that regard, the bank made available on its website an ‘impact calculator’ to calculate the environmental influence of any investment e.g. for the creation of renewable energies or saving of CO₂. However, the institution itself did not have that precise data and was ignoring potential negative impacts of companies in the portfolio. The case has been settled following judicial proceedings initiated by a consumer protection organisation based on disclosure regulations and the credit institution has deleted this calculator from its website.

27. Seven CAs have identified occurrences of actual or potential greenwashing since November 2022. Approximately one third of respondents were able to provide at least one example of an actual greenwashing practice occurred since the first survey, while more than two thirds of respondents stated that they could not provide any example. Only one respondent provided an example related to third-country branches of credit institutions. The examples given were almost evenly split between cases referring to the entity level and cases referring to the product/service level. The entity-level examples related mostly to credit institutions, but also sole investment firms and one example

⁶ 29 CAs responded to the EBA’s follow-up survey in 2023.

concerned a non-financial corporation. On the product/service level, the examples related to investment funds, stock funds, UCITS funds, (green/sustainable) bonds, and (green/sustainable) consumer loans.

28. The misleading information was found to be included in product information, legally required documents other than legally required product information, marketing materials (including website, social media) or voluntary reporting as well as in mandatory disclosures. Marketing materials and voluntary reporting were cited most often.
29. With regards to the misleading characteristics, “Vagueness or ambiguity or lack of clarity” was identified most often, in six instances. “Empty claims (exaggerated claims and/or failure to deliver on claims)”, “Inconsistency across various disclosures and communications”, and “Lack of fair and meaningful comparisons, thresholds and/or underlying assumptions” were identified four times each. “No proof (unsubstantiated)” was chosen three times. “Selective disclosure or hidden trade-off” and “Misleading/suggestive use of ESG-related terminology (name-related greenwashing)” were named two times each. Other examples included “Outdated information”, “Omission or lack of disclosure”, and “Misleading / suggestive non-textual imagery and sounds”. One respondent gave an example of a vague wording in the prospectus together with too broad use of disclaimers/risk factors, indicating the risk that the issuer of the green bond may not invest the proceeds according to the green bond framework that it has committed to.
30. Only three of the examples provided were brought up to the knowledge of the CA by the public authority. One case was discovered during a thematic review of marketing materials on public websites of supervised entities done by the respondent. Other cases were identified by the staff members of the respondents, consumer organizations, NGOs, and other financial supervisory authorities.
31. Examples of alleged greenwashing cases are presented in Box 1 below. Even though several examples refer to the funds and fund management companies that are not in the EBA’s remit, they were provided to the EBA by the CAs who mostly supervise credit institutions⁷. This is because the survey included questions on any greenwashing occurrences that were known to the CAs, either directly or indirectly (including via media). These occurrences illustrate that greenwashing is not limited to one sector or specific types of entities but can be evidenced anywhere in the financial sector.

BOX 1. EXAMPLES OF OCCURENCES OF ALLEGED GREENWASHING

- One respondent referred to a recent ECB **staff paper on banks’ net-zero commitments**⁸ that found various instances of different problematic practices amongst G-SIBs that could lead to allegations of greenwashing. These include limited information sharing, tentative or merely aspirational language and commitments to unclear goals such as “carbon neutrality”. Gaps also exist regarding the choice of scenarios, target-setting by banks, and financial institutions’ exposures to certain sectors. For example, banks rarely make granular disclosures regarding portfolio alignment metrics, with G-SIBs often disclosing an incomplete set of information.

⁷ For a detailed account of greenwashing occurrences detected by financial markets’ regulators, see the ESMA Final Report on Greenwashing published in parallel to this report [\[link to be inserted\]](#).

⁸ [An examination of net-zero commitments by the world’s largest banks \(europa.eu\)](#)

Common weaknesses also include the selective use of scenarios or the use of outdated scenarios or benchmarks, the use of unscientific methodologies, no integration in portfolio steering, and no alignment monitoring of targets. The paper further found that target-setting could be improved substantially to avoid greenwashing risk, as the climate-related targets that banks are setting are not sufficiently comparable, and the methodological description of the targets is often very vague.

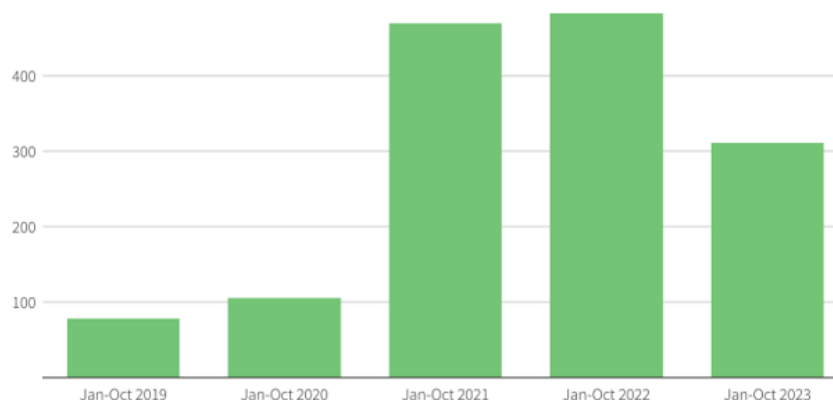
- Several examples given referred to **greenwashing in connection with funds**, often relating to the SFDR. A concrete example concerned a mutual fund that was marketed as a green and sustainable product on the website of the investment firm though the product itself did not have such features. Another respondent referred to investment firms claiming that investments would be done sustainably solely by looking at Article 8 of the SFDR. In the respondent's view, this was misleading towards consumers as Article 8 does not provide any actual reliability of a degree of sustainability. Another respondent cited a credit institution that promoted investment funds (UCITs) labelled as green/ESG/sustainable on its website, while there was a lack of information about these funds and/or their manufacturer in accordance with relevant provisions of the SFDR. However, during the ensuing investigation, the manufacturer of the funds provided a published documentation in accordance with the SFDR, hence an actual greenwashing did not occur in this case. Further shortcomings regarding funds and their labelling, especially with regards to compliance with the SFDR, were also found during a comprehensive supervisory review conducted by one respondent.
- Another respondent identified two greenwashing practices (i.e. misleading statements) with regards to **retail financial products** during a comprehensive supervisory review exercise: (a) a consumer finance product that aimed to incentivize the purchase of household appliances with better energy efficiency qualifications, however that minimum energy label requirement was too low, (b) a consumer financing scheme relating to trade-in schemes of mobile phones was cited as a contribution to the circular economy but at that time the Taxonomy Regulation delegated act on circular economy was not available and no regulatory standard was used to qualify this instrument. In both cases the respondent requested the bank to modify the features of the financial products to align them with EU regulation. In addition, these financial products were not regulated in the bank's internal credit policies.
- A further example given referred to a **currently pending case against one large European bank** that was sued by three NGOs. The claim is based on the national law, which requires that companies, including banks, establish a plan to prevent the violation of environmental damage that may occur in the course of their business. The claimants allege multiple shortcomings in the bank's plan that touch upon greenwashing, including lack of clarity and insufficient information on the bank's financing and investments (e.g. no information on Scope 3 emissions is given). Moreover, they claim that the bank is likely to fail to meet its commitment to become "carbon-neutral" by 2050.
- Another example referred to a **case brought against a fund management company** for their advertisement that a fund had a measurable effect on CO2 avoidance and that investors would make a measurable ecological contribution by investing in the fund. A consumer advice centre challenged this advertising statement. The court found that although consumers would not assume that CO2 avoidance could be specifically measured, they could nevertheless expect to be informed about how the calculation is carried out, and the calculation method was not presented by the provider in a sufficiently clear and comprehensible manner. It further held that there was

an increased burden regarding information about the meaning and content of environmental advertising claims.

3.2.1 Greenwashing concerns related to sustainability-linked loans

32. In addition to the cases referred by the CAs in the previous subsection, there is also increased media coverage on alleged greenwashing cases related to sustainability linked loans (SLLs).
33. SLLs were introduced to the market in 2017, offering slightly cheaper borrowing (2.5-10 basis points less than for a regular loan)⁹ if the borrowing entities (generally large corporates) meet certain Sustainable Performance Targets (SPT) and Key Performance Indicators (KPIs), e.g. cutting their carbon emissions, or setting certain social inclusion targets. These SPTs and KPIs may rely on those set by the borrowing corporates themselves in their own sustainable/green finance frameworks. Cheaper borrowing and the remuneration incentives to hit ESG targets made the market grow rapidly – reaching its peak in issuance 2021-2022 with approx. EUR 294 bn in Europe and approx. EUR 442 bn globally in 2022¹⁰ (Figure 7). It has become the second biggest ESG debt market after green bonds.

FIGURE 7. NUMBER OF BANK LENDING WITH INTEREST RATES TIED TO SUSTAINABILITY TARGETS



Source: LSEG data, via Reuters.

34. Also, due to market concerns, the SLL market started to decline in 2023 (but still remained a lot higher than in 2020). According to the Financial Conduct Authority (FCA)¹¹ and the data it received in early 2023 from the SLL market participants, stakeholders noted their concerns about weak incentives (a borrower does not seek SLL because of trust and integrity concerns), potential conflicts of interest (banks incentivised to promote SLLs and accept weak SPTs and KPIs in case remuneration is linked to achieving ESG financing targets), as well as low ambition and poor design in some SLLs' SPTs and KPIs suggesting that these instruments may have been used to provide an exaggerated view of sustainability efforts. These issues were in line with the FCA's own observations about the potential risks to market integrity and suspicion of greenwashing in the SLL market. In addition, some banks

⁹ LSEG data via Reuters.

¹⁰ Ibid.

¹¹ FCA Outlines Concerns About Sustainability-Linked Loans Market. June 2023. <https://www.fca.org.uk/news/news-stories/fca-outlines-concerns-about-sustainability-linked-loans-market>

started to reject SLLs where the environmental targets were too low (e.g. a coal company applying for SLL with environmental target to cover only 5% of its emissions) or related to general (minimum) health and safety targets. On the other hand, some SLLs were rejected because the ESG targets were unrealistic to achieve to begin with.

35. Given that the SLL market has been largely unregulated and not very transparent, it is also not easy to measure the potential scale of greenwashing. At the same time there are indications¹² that SLLs have in some cases been used as a marketing tool only, creating regulatory and reputational risk.

3.3 Greenwashing risks

3.3.1 Materiality of greenwashing and its impact on financial risks

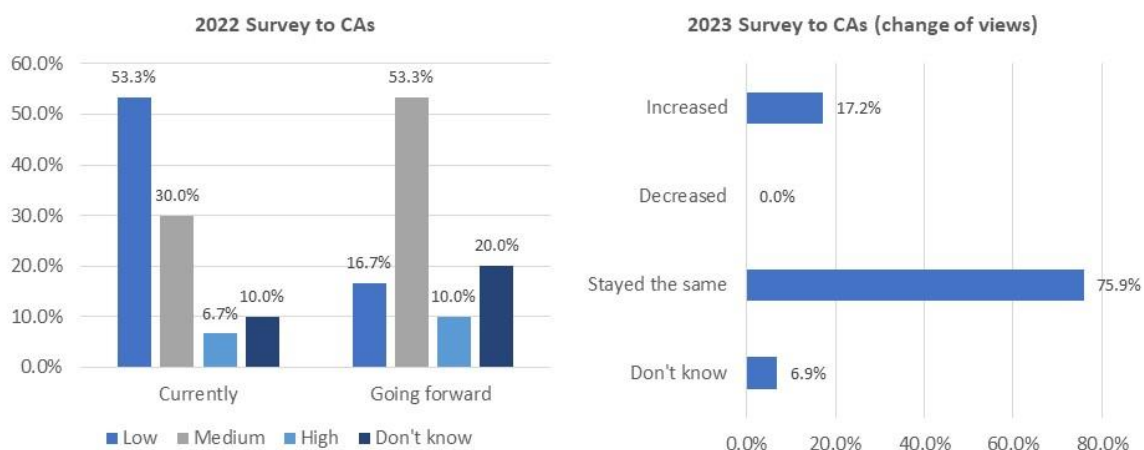
36. While the phenomenon of greenwashing has been existing for years, there is not only a need to tackle it but also to assess how material this risk is to institutions and to the risks they need to manage in the course of their business. Even though currently it might not be recognised as a prevalent or imminent risk in the risk management policies and procedures yet, it has the potential to create significant reputational and litigation risk and therefore become material with detrimental impact on institutions themselves but also on their customers. Ultimately, this hinders the development of sustainable finance products and markets, impeding progress towards the goal of achieving a carbon-neutral economy.
37. In order to assess the current understanding of the materiality of greenwashing risk, the EBA asked CAs and stakeholders¹³ how they see its relevance for credit institutions, investment firms and payment service providers and the results were described in the Progress Report. While answers were provided by all CAs, only about one third of the stakeholders answered to this question.
38. The materiality (relevance) of greenwashing risk for credit institutions was considered low by more than half of CAs and medium by 30% of the CAs in 2022 survey, low or medium for investment firms (33% and 23% of respondents respectively) and low for payment service providers (more than 50% respondents). The follow-up survey to the CAs showed that in 2023 CAs generally perceive that the materiality of greenwashing risk by credit institutions, investment firms and payment service providers has stayed the same, compared to 2022.
39. In 2023, the majority of CAs (76%) perceived that the materiality of greenwashing has stayed the same for **credit institutions** compared to 2022 (see Figure 8), while 17% of the CAs were of the opinion that greenwashing risk had increased and 7% did not know whether the materiality had changed or not. Some CAs provided additional comments pointing to the fact that credit institutions are gradually offering more products with sustainable characteristics and are giving greater prominence to sustainability-related practices. In this context, credit institutions tend to be more

¹² [BNN Bloomberg](#)

¹³ The survey to stakeholders ran from 15 Nov 2022 to 17 Jan 2023 and respondents included 13 bank associations, 17 credit institutions, 12 investment firms, 18 market associations, 22 investment managers, but also 15 NGOs, 11 think tanks, 13 issuers, 4 benchmarks administrators, 3 ESG ratings providers, 3 consumer associations, 9 consultancy companies, 2 data providers, 7 institutional investors, 12 insurance undertakings and 1 insurance intermediary, 2 payment service providers, 2 occupational schemes providers, 3 pension funds, 3 retail investors/consumers, 3 trade unions and 2 regulators/supervisors. 14 respondents defined themselves under 'Other'.

aware of greenwashing topics and because of the associated regulatory requirements, mostly related to disclosures, their products and disclosures are more and more scrutinized. However, some of the CAs that pointed out this argument believed that the materiality of greenwashing has stayed the same while some others consider that the materiality has increased.

FIGURE 8. MATERIALITY OF GREENWASHING RISK FOR CREDIT INSTITUTIONS

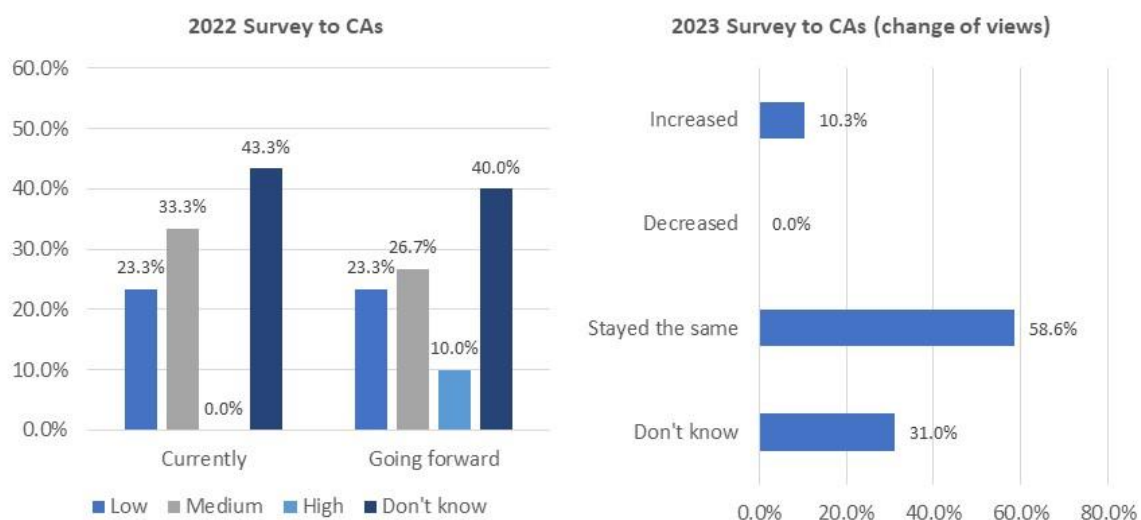


Source: EBA survey to CAs in 2022 and 2023.

* To note, 30 CAs responded in 2022 and 29 CAs in 2023.

40. In the context of **investment firms**, no CA perceived the materiality of greenwashing high in 2022; one third perceived it medium and 23% said it was low. In 2023, more than half of CAs (59%) considered that the materiality of greenwashing had stayed the same compared to 2022 and 10% of the CAs believed that greenwashing risk had increased. 31% of CAs responded 'Do not know', but this rather high percentage might be explained by these authorities not being responsible for the supervision of investment firms (Figure 9).

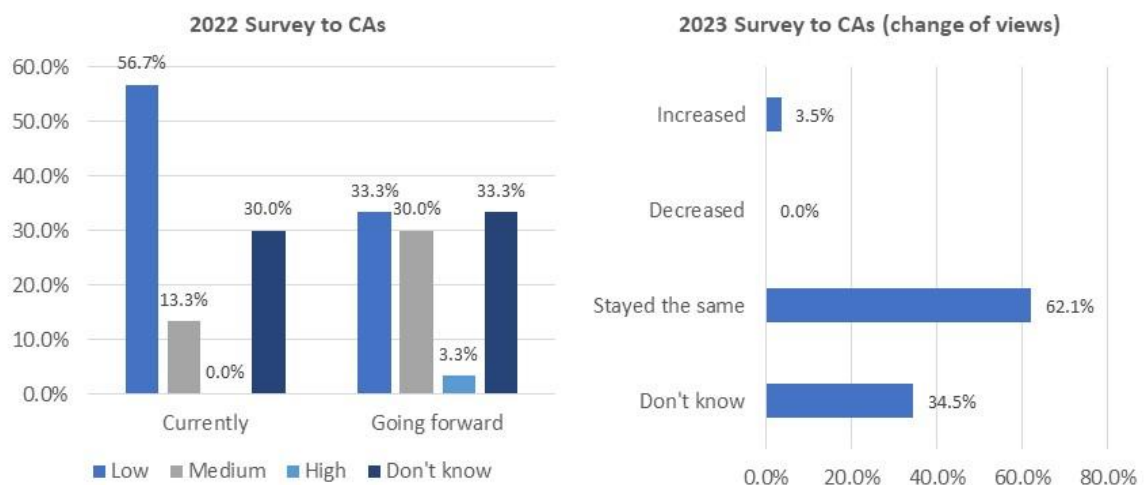
FIGURE 9. MATERIALITY OF GREENWASHING RISK FOR INVESTMENT FIRMS



Source: The EBA survey to CAs in 2022 and 2023.

41. In the context of **payment service providers**, more than half of CAs considered the materiality of greenwashing risk low in 2022 but it was expected to increase slightly in the future. In 2023, more than half of CAs (62%) thought that the materiality of greenwashing has stayed the same compared to 2022 and only 3.5% of the CAs considered that it has increased. About one third of CAs (34%) indicated not to know if the materiality for payment service providers had changed, this relatively high percentage could be partially explained by the fact that some CAs are not responsible for payment service providers, including crypto-assets, but also to other motives, no further explanation was given by the CAs on the latter (Figure 10).

FIGURE 10. MATERIALITY OF GREENWASHING RISK FOR PAYMENT SERVICE PROVIDERS



Source: The EBA survey to CAs in 2022 and 2023.

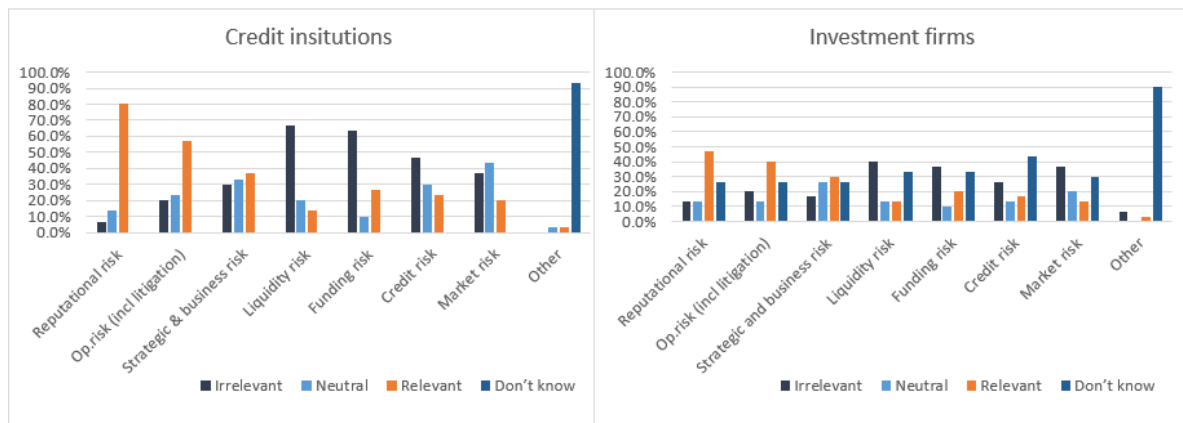
3.3.2 Financial risks, case study on litigation risk

42. Greenwashing can have adverse impact on financial risks of financial institutions but also on financial stability and hence, ultimately on consumers. In the Progress Report, the EBA looked at the most important risks such as reputational, operational (including litigation), strategic and business risks, liquidity and funding risks, credit and market risk, and how they can be affected by greenwashing and also asked the views of the stakeholders and CAs.

43. From the prudential supervisory perspective several categories of financial risks may be affected by greenwashing, or merely by perceived greenwashing. Such risks can be expected to increase as the market share of green financial instruments increases and their price is to a higher degree dependent on their green credentials. The financial risks could be impacted either directly because of greenwashing practices of institutions, or indirectly because greenwashing by the counterparties of the institutions would ultimately result in financial risks to these institutions. Finally, greenwashing may undermine consumers' confidence in entities and in sustainable finance products, risking jeopardising the efforts being made to achieve a more sustainable economy, and hence having possible negative effects on financial stability.

44. The EBA asked the CAs about how they perceived the impact of greenwashing on other financial risks of financial institutions. The results of both surveys indicated that the most important risk was reputational risk, followed by operational risk (Figure 11).

FIGURE 11. IMPACT OF GREENWASHING ON FINANCIAL RISKS



Source: The EBA survey to CAs in 2022.

45. In 2023 the CAs were asked whether their views on their perceived impact of greenwashing on financial risks have changed compared to 2022. In general terms, the majority of CAs considered that the risks most impacted by greenwashing have not changed. The most affected categories of risks continue to be the reputational risk, operational risk (including litigation) and strategic and business risks.

46. For investment firms and payment service providers, all the CAs replied that, in their view, the said financial risks have not changed either. For credit institutions, only two CAs considered that there has been a change, one CA pointed to an increase in the score given last year to operational risk due to losses related to litigation and liability risks and one CA considered the impact of greenwashing on strategic and business risks has increased, due to the fact that banks are acting more cautious to avoid greenwashing accusations, which could result in banks dropping business if the risk of being accused of greenwashing is seen as too high.

47. As there are more and more cases where litigants are seeking monetary damages for greenwashing, the follow-up survey also included a question on **litigation risk**. The results showed that the losses from litigation due to misleading of commercial practices (for example mis-selling of products as green while they don't meet the standards for such products or advertised green credentials) are seen as most relevant factor by the answering CAs to impact the financial risks (over 50% of the answering CAs considered this factor as "relevant" or "very relevant"). Litigation cases against institutions arguing that their advertised support for initiatives related to the protection of the environment could be labelled as greenwashing and litigation cases against institutions due to a misalignment between their internal environmental or social policies and some of their activities were considered by around one third of the CAs as (very) relevant.

48. One CA remarked that the relevance cannot be classified that easily as it depends on the bank's business model and its complexity. Two CAs considered the relevance of such cases is likely to

increase in the future, as the demand for green/sustainable banking products as well as the offer of banking products and services whose sustainability features are highlighted would increase.

49. Furthermore, three CAs remarked that their answers only reflected their views on credit institutions. Answers might differ, if related to investment firms and/or payment service providers. These CAs assumed that similar cases were of lesser or even no relevance for investment firms and/or payment service providers.
50. Litigation risk resulting from greenwashing and the claims that the litigants are seeking, has been on a rise, especially in the last three years¹⁴. The Network for Greening the Financial System (NGFS) and the ECB have studied climate related litigation cases, which are described in Box 2.

BOX 2. CASE STUDY ON LITIGATION RISK

NGFS's papers¹⁵ focus on the recent trends and developments using reporting from its members and numerous databases. They report a notable increase in ongoing climate-related litigation cases in recent years. The report identifies three categories of climate-related litigations against: i) states and public entities, ii) non-financial institutions, and iii) financial institutions. It focuses on assessing the impact of the initiation of climate-related litigation rather than the outcome.

- Climate-related litigations against **states and public entities** are usually initiated by NGOs to ensure governmental action on climate change is ambitious and aligned with the need to respond to climate impact predicted by scientific community. In some instances they also rely on successful cases against states to act against corporates in the same jurisdiction. Other examples are litigations against state decisions to grant licences for fossils fuel exploration and extraction, which also pose more immediate and direct risk to financial and non-financial institutions that have financial interests in these projects.
- Climate-related litigation cases against **non-financial institutions** are on the increase too. These cases include claims against fossil fuel companies for physical damage and allegations of misleading sustainability claims/greenwashing. Other cases include failures to adhere to climate and environmental regulation and reduce carbon emissions. This has led to wider range of entities being affected by climate-related litigation, and it goes beyond fossil fuel and energy companies – litigations include airlines and car manufacturers, but also entities in agriculture, food and construction sectors. Claims based on greenwashing (unsubstantiated, misleading or selective claims) are considered a key trend where litigants seek monetary damages, civil penalties and/or injunctive relief in respect of “greenwashed” communications. This trend is likely to continue as jurisdictions develop legislation to protect consumers from greenwashing, unfair commercial practices, and anti-competitive behaviour. As was noted in the NGFS’s November 2021 report, cases against non-financial institutions can have significant financial implications not only for the defendant to the litigation but also for other institutions with financial exposures to the defendant. Such litigation can lead to direct financial losses (legal fees and costs, damages, fines, and adaptation and compliance costs), with a possible impact on the value of the firm, its creditworthiness and/or its financing costs. This impact could be

¹⁴ [Greenwashing and Climate Litigation for Banks on the Rise \(sustainalytics.com\)](https://sustainalytics.com/greenwashing-and-climate-litigation-for-banks-on-the-rise)

¹⁵ [climate related litigation.pdf \(ngfs.net\)](#) from 2021, [ngfs report-on-climate-related-litigation-recent-trends-and-developments.pdf](#) from 2023 and https://www.ngfs.net/sites/default/files/medias/documents/ngfs_report-on-microprudential-supervision-of-climate-related-litigation-risks.pdf from 2023.

particularly potent where a court finds that companies are under a legal obligation to reduce their emissions, which can, in turn, have an impact on the company's share price, and result in stranded assets. Such litigation – particularly in respect of claims of greenwashing – can lead to reputational costs, potentially with spill-over effects for institutions in the same sector. It is also noted that for prudential supervisors, this can become particularly relevant in respect of accounting for corporates' credit risk.

- Climate-related litigation cases against **financial institutions** are an emerging trend, in particular in respect of claims of greenwashing and breaches of directors' duties. Also, in light of this, supervisors may need to ensure that such liability risk is incorporated into financial institutions' operational risk management, and that appropriate account is taken of the financial impact arising from reputation risks. In respect of greenwashing, there is an existing and increasing risk that climate-related disclosures become the subject of litigation before courts or become subject to investigations by advertising standards authorities, by supervisory authorities or even by public prosecutors. This trend is expected to grow in the wake of the further development of legislation to better regulate climate-related disclosures.

An ECB staff paper on net-zero commitments by world's largest banks¹⁶ notes that legal consequences of greenwashing can be severe. In addition to reputational repercussions that can negatively affect investors' and consumers' views, it can have multiple legal consequences, and courts in many jurisdictions are increasingly open to rule in favour of shareholders and NGOs. The paper underlines the impact on banks' risk management and governance, because, in addition to increasing reputational risk, greenwashing allegations can significantly affect litigation risk. This is important also from the prudential perspective, even if the litigation is a threat only. The paper refers to a recent LSE study¹⁷ where a causal link was found between climate litigation and stock prices (estimated loss of firm value was on average - 0.41%).

3.3.3 Impact of greenwashing on financial stability

51. Greenwashing may also cause a risk to financial stability. Should it appear in a large scale or should the lack of trust impacting one or more institutions involved in alleged greenwashing spread over to other institutions, it would potentially affect the whole market. From a financial stability perspective:

- A “Minsky moment” could arise, where green financial instruments, in their entirety or a substantial part of them, are no longer perceived as green, impacting negatively the sustainable financial markets' credibility and causing a widespread repricing and drop in liquidity, subsequently resulting in a risk to the entire financial system (e.g. fire-sales of green bonds).
- The argument could be made that greenwashing could have detrimental effects by distorting or preventing an accurate assessment of risks and thus giving too much credit to entities' disclosed transition timelines, metrics and targets, hence underestimating transition risk, increasing the risk of a disorderly climate transition and ultimately impacting the resilience of financial institutions.

¹⁶ [An examination of net-zero commitments by the world's largest banks \(europa.eu\)](https://www.ecb.europa.eu/press/pr/date/2022/html/ecb.pr220801_1_en.htm)

¹⁷ <https://www.lse.ac.uk/granthaminstitute/publication/impacts-of-climate-litigation-on-firm-value/>, The London School of Economics and Political Science

52. In the 2022 survey two thirds of CAs estimated greenwashing having a high impact on the credibility of sustainable financial markets but a low impact on financial stability both at national level (53% of respondents) and at EU level (50% of respondents). Only two CAs estimated the impact to financial stability high (both at national and EU level). The EBA asked the question again in 2023. One quarter of the CAs who answered shared the opinion that greenwashing potentially impacts financial stability. Those CAs which argued that greenwashing can have an impact on financial stability via financial risks, mostly named operational, litigation, reputational, credit and market risk.
53. On the opposite, 75% of the CAs thought that greenwashing has no impact on financial stability yet. Amongst these, some CAs stated that they were seeing at least a theoretical risk, however, as of now the greenwashing risk does not yield at this stage a macro prudential perspective and/or the effects of greenwashing on financial stability are not significant yet. One CA stated that it could not take a final conclusion if there was an impact on financial stability or not as it had not conducted any specific impact assessment on this yet.
54. Finally, as also noted in the Progress Report¹⁸, greenwashing can have an impact on consumers and end-investors due to purchase and investment decisions being based on misleading information. In addition, a loss of trust could discourage consumers to engage in sustainable finance. Greenwashing has also a significant potential to undermine confidence in markets, therefore threatening the ability to transition to a low carbon economy.

3.4 Conclusion and the way forward

55. The data related to misleading communication on ESG topics shows continued increase in the total number of potential cases of greenwashing across all sectors, including the EU banks. It also indicates rising accountability and better awareness. The data obtained from RepRisk shows an increase in almost all regions, including in the EU, and the total number was 21.1% higher in all geographical locations combined. It also remains amplified towards EU entities including the EU financial and credit institutions.
56. The follow-up survey to the EBA's CAs confirmed that reputational risk continues to be considered as the most affected financial risks by greenwashing, followed by operational (including litigation) risk. Most CAs also kept their views on the relevance of greenwashing risk to institutions.
57. Among the seven occurrences of greenwashing reported to the EBA since November 2022, four of them referred to examples involving funds and fund management companies, and several cases about net-zero claims by G-SIIs. Sustainability linked loans have also been observed as a concern by market participants. This confirms that greenwashing can occur in all sectors, and also involves banks. Therefore, integrating the management of greenwashing risk into the institutions' policies and practices, as well as in the supervisory activities, is crucial.
58. The EBA will continue monitoring greenwashing-related trends and risks in the EU banking sector as part of the ESG risks monitoring framework pursuant to the mandates received, and based on the available information.

¹⁸ Section 3.2.2 in the EBA Progress Report

4. Addressing greenwashing through the EU regulatory framework

4.1 Key building blocks in EU legislation to address greenwashing

59. The EU regulatory framework mainly addresses greenwashing through (i) rules and principles tackling misleading statements and unfair commercial practices, and (ii) specific sustainability-related requirements.
60. The first category provides the basis to address misleading sustainability claims by regulating the communication and marketing practices of organisations, including of financial services providers. Relevant frameworks relate to investor and consumer protection, including conduct of business, advertising and marketing. The second category deals more specifically with the sustainable finance framework, including the EU Taxonomy, sustainability disclosure requirements and the development of new standards or labels for financial products.

4.1.1 Consumer and investor protection: regulating (sustainability) claims

61. Greenwashing is a type of misconduct and a type of misleading communications. As such, greenwashing can be captured by existing rules on unfair commercial practices and misleading advertising. Misleading sustainability claims could be addressed and/or sanctioned on the basis of general principles embedded into the EU consumer and investor protection framework, in particular the need to be clear, fair and not misleading. Non-exhaustive examples of EU laws in this area include the Unfair Commercial Practices Directive (UCPD¹⁹), the Directive on Markets in Financial Instruments (MiFID II²⁰), the Mortgage Credit Directive (MCD²¹) and the Consumer Credit Directives (CCD1 and CCD2²²)²³. EBA's Progress Report provided an overview of national legislative frameworks related to greenwashing, which are largely based on the EU framework.²⁴
62. The UCPD constitutes the overarching piece of EU legislation regulating unfair commercial practices in business-to-consumer transactions. It applies to all commercial practices that occur before (i.e. during advertising or marketing), during and after a business-to-consumer transaction, including in relation to financial services, encompassing any service of a banking, investment, or payment nature. The UCPD has recently been amended as a result of the European Commission's initiative to empower consumers for the green transition, which aims, among other things, at strengthening

¹⁹ Directive 2005/29/EC of the European Parliament and of the Council concerning unfair business-to-consumer commercial practices in the internal market.

²⁰ Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments.

²¹ Directive 2014/17/EU of the European Parliament and of the Council on credit agreements for consumers relating to residential immovable property.

²² Directives (EU) 2008/48/EC and (EU) 2023/2225 of the European Parliament and of the Council on credit agreements for consumers.

²³ Non-exhaustive examples. Other legislations include Market Abuse Regulation, Consumer Protection Cooperation Regulation, legislation on risk and compliance assessments under UCITS and AIF.

²⁴ EBA's Progress Report on greenwashing monitoring and supervision, section 4.1.2, June 2023.

consumer protection against untrustworthy or false environmental claims. Specific rules have been introduced in the UCPD, as well as in the Consumer Rights Directive, to tackle unfair commercial practices relating to sustainability, including misleading environmental claims²⁵. In addition, the Commission has proposed a new complementary Green Claims Directive which, however, would not fully apply to the financial sector²⁶.

63. Unfair environmental claims to consumers, including from financial institutions, may entail investigations and sanctions pursuant to UCPD, although CAs under the remit of the EBA are not always the ones in charge of enforcement²⁷.
64. With regard to the financial sector more specifically, the MiFID II contains rules on all information, including marketing communications, addressed by an investment firm and a credit institution providing one or more investment services and/or performing investment activities, to clients or potential clients. It states that the communication must be fair, clear and not misleading both in its content and its presentation. Compliance with these provisions is monitored by competent supervisory authorities²⁸, which shall be given all supervisory powers necessary to fulfil their duties, including investigatory powers and powers to impose remedies.
65. At a legislative level, the MiFID II also represents a tool to regulate green marketing communications by investment firms and credit institutions, which provide one or more investment services and/or perform investment activities. In addition, the Commission has adopted a Retail Investment Package, which aims at empowering retail investors to make investment decisions that are aligned with their needs and preferences, ensuring that they are treated fairly and duly protected. This consists of an amending Directive revising the existing investor protection rules set out across sector specific legislative instruments, including MiFID²⁹.

²⁵ Directive (EU) 2024/825 of the European Parliament and of the Council of 28 February 2024 amending Directives 2005/29/EC and 2011/83/EU as regards empowering consumers for the green transition through better protection against unfair practices and through better information. Amendments to the UCPD aim at better regulating environmental claims through: defining environmental claim; ensuring that consumers are not misled about environmental and social impacts of products; prohibiting the use of sustainability labels not based on a certification scheme or established by public authorities; prohibiting the use of generic environmental claims used in marketing towards consumers, where the excellent environmental performance of the product cannot be demonstrated in accordance with officially recognised labelling; prohibiting environmental claims about the entire product, when it actually concerns only a certain aspect of the product. Besides, some commercial practices to be considered misleading have been added, including making an environmental claim related to future environmental performance without clear, objective and verifiable commitments and targets and an independent monitoring system.

²⁶ Commission's proposal for a directive on substantiation and communication of explicit environmental claims. Recital 10: this Directive shall not apply to sustainability information involving messages or representations that may be either mandatory or voluntary pursuant to the Union or national rules for financial services, such as rules relating to banking, credit, (...) investment firms, payment, portfolio management and investment advice.

²⁷ According to the UCPD, Member States must impose penalties for infringements of the UCPD which are effective, proportionate and dissuasive. Member States must ensure that the court or an administrative authority has the necessary powers to enable them to order the cessation and/or prohibition of a practice which has been determined to be an unfair commercial practice. Competition regulators often have jurisdiction over UCPD legislation; however, some CAs in the remit of the EBA are also responsible for the prohibition of unfair commercial practices and for supervising compliance with consumer protection rules on the financial market by selected entities.

²⁸ For example, ESMA has conducted a common supervisory action with national competent authorities (NCAs) on the application of MiFID II disclosure rules with regard to marketing communications. Preliminary findings from the Common Supervisory Actions are presented in the ESMA Final Report on Greenwashing, published in parallel to this report.

²⁹ Amendments are proposed to the rules set out in MiFID II, the Insurance Distribution Directive, the Undertaking for Collective Investment in Transferable Securities Directive, the Alternative Investment Fund Managers Directive, and the

66. MCD sets forth the overarching regime applicable to the provision of credit to consumers secured by a mortgage or otherwise relating to residential immovable property. On the other hand, CCD2 contains the requirements applicable to the provision of credit to consumers. Both texts apply to creditors providing credit advertised as green to consumers.
67. More specifically, both pieces of law include requirements on the information to be provided to the consumer, prior and during the contractual phase, including marketing and advertising communications. They both foresee that any advertising and marketing communications should be fair, clear and not misleading. Compliance with these provisions should be monitored by competent supervisory authorities, which shall be given investigating and enforcement powers and adequate resources that are necessary for the efficient and effective performance of their duties.
68. Overall, general rules governing investor protection, consumer protection and prohibition of misleading advertising could capture misleading sustainability claims by institutions. Also, recent as well as on-going legislative developments strengthen requirements applicable to environmental claims.

4.1.2 Key foundations to mitigate greenwashing in the sustainable finance framework

69. In addition to consumer and investor protection, several elements of the EU sustainable finance regulatory framework should help prevent, identify or mitigate aspects of greenwashing. Regulatory developments over the last years lay the foundations for (i) commonly defining environmentally sustainable activities i.e. green economic activities, (ii) ensuring a high level of transparency and (iii) harmonising criteria and labelling for certain green financial products.
70. First, the **EU Taxonomy** provides an important classification system by establishing criteria for environmentally sustainable activities and introduces disclosure requirements. By providing detailed, publicly available information on the definition of and institutions' exposures to – or investments in – green activities, the EU Taxonomy should progressively reduce the need for interpretation of the classification of green activities, covering both climate objectives and other environmental objectives³⁰. It should lead to improved data reliability and comparability and limit the risk of market fragmentation, although reliance on the EU Taxonomy is not always mandatory when marketing all types of financial products as sustainable³¹.
71. For credit institutions and investment firms, the role of the EU Taxonomy in mitigating greenwashing is twofold. First, disclosures on how and to what extent their activities qualify as environmentally sustainable in accordance with the Taxonomy³² will enhance entity-level sustainability disclosure

taking-up and pursuit of the business of Insurance and Reinsurance Directive (Solvency II), as well as an amending Regulation, which revises the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation.

³⁰ Other environmental objectives are: sustainable use and protection of water and marine resources; transition to a circular economy; pollution prevention and control; protection and restoration of biodiversity and ecosystems.

³¹ Issuers may choose to apply different, also market-based classification systems. However, the EU green bond regulation requires a high degree of alignment with the EU Taxonomy, and SFDR contains disclosure requirements on the extent of Taxonomy alignment of underlying investments when financial market participants offer financial products making sustainability-related claims.

³² Under article 8 of the EU Taxonomy Regulation and as specified in corresponding delegated acts.

requirements (respectively, Green Asset Ratio ‘GAR’ and Green Investment Ratio) and improve market transparency and comparability, potentially providing a basis for benchmarking and monitoring institutions’ green claims and commitments. Second, while the EU Taxonomy did not modify the regulatory framework applicable to the distribution of (sustainable) retail banking products, it constitutes nonetheless a key tool to help identify green financial and banking products. The EU Taxonomy is the reference for defining sustainable activities for green bonds under the EU Green Bond Regulation and identifying eligible green loans exposures to households as part of GARs of credit institutions.

72. In addition to Taxonomy’s transparency requirements, **ESG disclosure frameworks** have evolved towards more comprehensiveness, comparability and reliability and should improve transparency on institutions’ sustainability characteristics, hence contributing to preventing and/or identifying greenwashing. Relevant requirements for institutions under the remit of the EBA include transparency requirements introduced by:

- the EU Taxonomy Regulation (see above);
- the Capital Requirements Regulation (CRR) and Commission Implementing Regulation (EU) 2022/2453 as regards the disclosure of ESG risks – i.e. prudential (Pillar 3) disclosure requirements with detailed templates for reporting on climate-related risks metrics;
- the Regulation on Sustainability-Related Disclosures in the Financial Sector (SFDR³³), further specified by ESAs technical standards, aiming at enhancing disclosures and increasing the comparability of information made available to end-investors for products with environmental or social characteristics or sustainability objectives³⁴;
- the Securitisation Regulation³⁵, further specified by ESAs technical standards, regarding the disclosure of sustainability information for certain types of Simple, Transparent, and Standardised securitisation, and
- the Corporate Sustainability Reporting Directive (CSRD³⁶), further specified by the European Sustainability Reporting Standards (ESRS), which will significantly expand and enhance the availability, comparability and reliability of sustainability information by financial and non-financial corporates, in particular through obligations to audit sustainability data.

73. ESG disclosure obligations support the objectives of reducing the occurrence of and facilitating the oversight of potential greenwashing. Sustainability transparency requirements should allow stakeholders to better form an opinion on the sustainability characteristics of a particular financial product or entity. This more demanding transparency framework should foster market discipline and

³³ Regulation (EU) 2019/2088

³⁴ The SFDR’s sustainability-related disclosure requirements apply to financial market participants (including credit institutions which provide portfolio management), financial advisers (including credit institutions which provide investment advice) and financial products as defined in the regulation.

³⁵ Regulation (EU) 2017/2402

³⁶ Directive (EU) 2022/2464

promote accountability. It may push institutions to enhance the oversight of their sustainability claims and commitments.

74. In that regard, the set of ESG disclosure requirements applicable to EU banks should progressively enable an assessment and comparison of (claimed) objectives and (actual) practices, such as those related to net zero targets. The disclosure of transition plans and alignment metrics (CSRD, CRR Pillar 3) should, for example, bring more clarity as to the short, medium and long-term actions planned and implemented by banks, facilitating the assessment of the credibility and adequacy of business practices in light of banks' commitments. Considering the greenwashing risks related to misrepresentation of entity-level forward-looking commitments, ESG disclosure requirements would allow for further scrutiny on strategic consistency with objectives committed to.
75. Thirdly, some regulatory initiatives aim at creating new **standards or labels** including for some financial products relevant to EU banks. A sound product classification system can mitigate greenwashing by providing robust standards and labels, which foster clarity and consumers' and/or investors' trust.
76. Relevant developments in this area include, first, the EU Green Bond Regulation³⁷ that has introduced a voluntary standard relying on common definitions of environmental sustainability, standardised disclosures and reporting, and supervision of companies carrying out pre- and post-issuance reviews at the European level. This should contribute to promoting transparency, consistency and comparability in the green bond market and address some market integrity concerns associated with greenwashed debt. The regulation also sets out conditions for the use of the designation 'European Green Bond' or 'EuGB' in respect of securitisation bonds.
77. Second, the EBA has recommended the introduction of a harmonised high-level green loan definition, which can be linked to the EU Taxonomy³⁸. Such a definition could provide the basis for a voluntary green loan label that would increase comparability and transparency in product identification. Green loans granted under the EU standards would provide clarity in markets both for credit institutions originating these green loans and for borrowers using the proceeds and would reduce the risk of greenwashing. Other recommendations provided by the EBA could also contribute to addressing potential greenwashing relating to green loans and green mortgages, such as those related to the provision of adequate advice to banks' clients, information disclosure, and institutions' staff competences and knowledge.
78. Third, following its first Sustainable Finance Action Plan, the Commission initiated work to develop an EU Ecolabel criteria, under the EU Ecolabel Regulation³⁹, for some financial products, including the service of managing a fixed-term deposit or savings deposit product in order to pay interest and derive environmental benefits from the projects and economic activities to which the deposited

³⁷ Regulation (EU) 2023/2631 of 22 November 2023 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds.

³⁸ EBA report on green loans and mortgages, December 2023.

³⁹ The EU Ecolabel criteria are designed to promote the use of the most environmentally friendly products as articulated by the Regulation on the EU Ecolabel (Regulation (EC) No 66/2010 of the European Parliament and of the Council of 25 November 2009 on the EU Ecolabel). According to Article 2, this Regulation applies to 'products' (either goods or services) that are supplied for distribution, consumption or use on the EU market. Financial products fall within the scope of the EU Ecolabel Regulation where they can be considered as services for distribution or use.

money is loaned (i.e. green deposit). However, this project is on hold and no timeline has been communicated for its completion.

79. It should also be noted, with regard to the financial risks arising from greenwashing, that the banking package (CRR3/CRD6) has introduced new requirements for institutions to ensure a robust management of ESG risks, under which financial risks resulting from greenwashing should be considered.
80. Overall, regulatory developments in the EU have built a sustainable finance framework, which should contribute to preventing, identifying and monitoring greenwashing, in particular by providing specific definitions and criteria and allowing for increased transparency on – and comparability of – institutions’ practices. However, this framework is still in the process of being implemented and faces some challenges.

4.2 Challenges and areas for potential complements

81. Although the EU legislative framework now contains regulatory mitigants to address misleading sustainability claims, some challenges related to data, usability and consistency hamper its effectiveness to fully address greenwashing risks at this juncture. On-going and planned initiatives may help overcome some challenges, and targeted complements to expand the regulatory framework can be envisaged.

4.2.1 Challenges and avenues for remediation

82. The first challenge raised by stakeholders, particularly financial institutions, in relation to the ability of the EU regulatory framework to tackle greenwashing is the lack of **available and reliable data** to meet new ESG disclosure requirements. The rapidly evolving ESG disclosure framework is indeed raising a need for institutions to build the right data infrastructure for sustainability aspects. In this context, some data shortcomings⁴⁰ are perceived as potentially creating instances of unintentional greenwashing, which could potentially undermine the benefits that these disclosures should bring.
83. It should, however, be noted that the need to address ESG data availability and reliability challenges has been recognised as a key priority by the EU and international standard-setters. The CSRD will increase the availability of sustainability data from institutions’ counterparties subject to the new requirements, through the European Sustainability Reporting Standards (ESRS), with important progress also underway at the international level through the International Sustainability Standards Board. In addition, the creation of a European single access point (ESAP) providing access to public financial and sustainability-related information about EU companies and investment products will facilitate access to sustainability data for institutions. Improved data access and quality will facilitate

⁴⁰ As described in EBA’s Progress Report, some issues highlighted by institutions based on the 2022 ESAs’ call for evidence are: (i) data and methodological gaps, e.g. no common established methodology to calculate the scope 3 GHG emission or the carbon footprint of a portfolio, no common definition of energy efficiency across Europe, sequencing issues between financial sector and real economy ESG reporting; (ii) the need to have recourse, in the absence of sufficient data, to equivalent information (EU Taxonomy) or estimates (SFDR, Pillar 3) from external providers, which may be heterogeneous and necessitate adjustments over time, potentially fueling greenwashing accusations; (iii) some discrepancies between regulations, e.g. as to the use of proxies; (iv) dependency on ESG data providers despite some accuracy and reliability issues.

compliance with ESG disclosure requirements and support the effectiveness of these new obligations in mitigating greenwashing, although the full benefits of CSRD and ESAP will only be reached progressively as they are gradually implemented.

84. Another challenge met by stakeholders as part of broader sustainability data concerns relates to the quality and reliability of ESG ratings, which may be used by institutions as a basis for sustainability claims/commitments and may lead to unintentional greenwashing in case ESG ratings face serious shortcomings. The on-going legislative development to provide a regulatory framework for ESG ratings providers⁴¹ may contribute to address this issue alongside prudent market practices in terms of due diligence, transparency and data management (see Chapter 5).
85. A second challenge that has been both documented by stakeholders⁴² and recognised by policymakers relates to **usability issues**. Although there is first evidence that the EU Taxonomy and the wider sustainable finance framework are being used by the market and have already had a positive impact⁴³, these challenges are particularly relevant with regard to the EU Taxonomy. As a response to currently identified issues, the European Commission took several measures to support the implementation of the Taxonomy criteria and disclosures⁴⁴. Overcoming these usability challenges will be key for the EU Taxonomy to fulfil its potential as an effective mitigation tool for greenwashing. Continued work of the European Commission and EU Platform on Sustainable Finance should contribute to enhance the usability of the EU Taxonomy. In addition, multilateral efforts to promote comparability and interoperability between taxonomies under the International Platform on Sustainable Finance may allow progress towards a common understanding of sustainability at the international level.
86. A third implementation challenge relates to uncertainty or ambiguity about **key concepts** such as the definition of a sustainable investment or environmentally harmful activity, due to some discrepancies across regulations. This raises consistency issues and clarity or interpretation challenges particularly in relation to SFDR. The European Commission's acknowledgment of challenges has led to a series of measures which aim at bringing more clarity⁴⁵ and consulting on potential improvements to SFDR. The ESAs are finalising a Joint Opinion on the assessment of the SFDR outlining recommendations to improve the framework and address greenwashing and mis-selling risks.
87. Lastly, some stakeholders have raised doubts about the ability of the framework to lead to effective enforcement. While recognizing that both the existing communication or consumer/investor protection rules and sustainable finance regulatory developments provide relevant foundations to address greenwashing, the development of further regulatory guidance to promote a consistent implementation of the sustainable finance framework, or to clarify how the existing legislation on misleading practices should apply to greenwashing in the financial sector, could help in that regard.

⁴¹ COM (2023) 314: Proposal for a regulation on the transparency and integrity of Environmental, Social and Governance rating activities.

⁴² EU Platform on Sustainable Finance, Report on data and usability of the EU Taxonomy, October 2022.

⁴³ EU Platform on Sustainable Finance, Compendium of market practices, January 2024.

⁴⁴ These measures are detailed in the Communication from the Commission (COM/2023/317 final) together with the Commission Staff Working Document (SWD/2023/209 final) in June 2023.

⁴⁵ See for example European Commission, Answers to questions on the interpretation of Regulation (EU) 2019/2088, submitted by the European Supervisory Authorities on 9 September 2022, April 2023.

The development in the short-term of best practices for avoiding greenwashing (see Chapter 5) and further clarity and/or enhancements in the medium-term regarding the sanction regime applicable to breaches of compliance with the new sustainable finance rules described above (e.g. EU Taxonomy, SFDR) could contribute to address this issue.

4.2.2 Complementing the EU regulatory framework

88. In addition to the recommendations mentioned above regarding policy initiatives on green loans and SFDR, the EBA has identified specific aspects where more regulatory certainty could be beneficial to address some identified drivers or types of greenwashing.
89. The first aspect which is not fully covered by the current sustainable finance framework relates to **transition finance and sustainability-linked products**. This may give rise to instances of misrepresentation of strategies, trajectories and/or targets at the entity level, or transition-washing, as well as cases of misleading labelling at the product level⁴⁶.
90. Some regulatory and non-regulatory initiatives can contribute to addressing greenwashing concerns associated with the absence of a single, clear approach to transition finance. First, the application of CSRD will increase the supply of standardised, audited forward-looking ESG information for emissions reduction targets and transition plans, which should support assessment of credibility. Developments in this area could also contribute to ensuring that the assumptions or limitations around banks' planned transition finance actions are highlighted alongside the intended outcome/commitments, mitigating potential misleading claims. Second, the EU Green Bond regulation includes some voluntary disclosure requirements for sustainability-linked bonds issued in the EU. Third, the Recommendation of the European Commission on transition finance⁴⁷ provides guidance to institutions, inter alia on the use of credible transition pathways, considerations for target setting, and use of science-based decarbonisation scenarios.
91. To complement these initiatives, further clarity on the transition and decarbonisation pathways of different sectors of the EU economy could be provided by policymakers, building on relevant EU legislation such as the EU climate law and other relevant regulations⁴⁸. Sectoral roadmaps for achieving climate neutrality and/or broader environmental sustainability in line with EU objectives would support the assessment of the credibility of transition-related claims either at the entity or portfolio and/or exposure level, for example by helping identify credible transition finance related loans and securities.
92. In line with the latter point, at a product level, further work may be needed to ensure trust and integrity in sustainability-labelled financial products. In addition to the proceeds-based approach for green loans, the policy framework could further investigate a transition-specific approach with a

⁴⁶ Among the issues raised by stakeholders are the absence of: (i) a clear definition as to what can be labelled transition finance, (ii) a transition ratio (as opposed to green asset ratio), (iii) clear transition pathways to calculate transition-aligned trajectories and set credible targets, (iv) binding standards on sustainability-linked loans and sustainability-linked bonds.

⁴⁷ EC recommendation (EU) 2023/1425 of 27 June 2023 on facilitating finance for the transition to a sustainable economy.

⁴⁸ Examples include amended Energy Performance of Buildings Directive (EU/2010/31) for the real estate sector, amended Regulation on CO2 emission performance standards (EU/2019/631) for the automotive sector, Regulation on commodities and products associated with deforestation and forest degradation (EU) 2023/1115) for the manufacturing sector.

focus on other general-purpose loans as part of transition finance, such as sustainability-linked loans. On the latter, an initiative could aim at gathering insights into the functioning of the sustainability-linked loan market and at determining what measures would improve market integrity and address greenwashing concerns, for example in terms of how KPIs and/or SPTs and/or penalties are set, measured and implemented.

93. Another aspect of the EU sustainable finance framework that may be further developed, building on existing initiatives, relates to **sustainability factors other than climate related**. For environmental factors other than climate, such as biodiversity, the frameworks described above, e.g. EU Taxonomy, CSRD, should gradually contribute to harmonising criteria⁴⁹, improving clarity and transparency, and supporting oversight of non-climate environmental claims. The consideration of social factors on the other hand could be further explored by relevant experts, building on existing analysis such as the PSF report on a social taxonomy⁵⁰ in order to provide a robust methodological approach for measuring positive and negative impact.
94. Lastly, further clarity and/or developments regarding regulatory safeguards against misleading **environmental (real-world) impact claims** may be beneficial⁵¹. This could include determining how current rules may apply and/or would need to be adapted to address greenwashing concerns around this specific type of claim, for example by requiring specific information and clarifying key concepts⁵².

4.3 Conclusions and recommendations

95. Existing frameworks and on-going regulatory developments provide key foundations to address several aspects of greenwashing in the banking sector. Several measures are however still in the early stages of implementation, while others are being updated or developed, suggesting that benefits of these frameworks are not fully visible yet.
96. On the one hand, the EBA notes that certain communication and marketing rules (e.g. UCPD, MiFID) already aim at tackling misleading statements, regardless of their nature or specifically for environmental ones, and may thus potentially allow to prevent or sanction greenwashing practices by credit institutions, payment service providers and investment firms. On the other hand, the EU sustainable finance regulatory framework has not yet been fully implemented. ESG disclosure requirements, for example, are gradually entering into application, with first Pillar 3 disclosures published in 2023, first taxonomy-alignment reporting provided in 2024, and CSRD reporting expected in the next years. Several pieces of the transparency framework will also be updated and/or further developed⁵³. Beyond disclosures, the EU regulatory framework also provides some mitigants against greenwashing at the product level, although only partially.

⁴⁹ A delegated act for economic activities substantially contributing to non-climate environmental objectives has been adopted in June 2023 and applies as of January 2024.

⁵⁰ Platform on Sustainable Finance, report on social taxonomy, February 2022.

⁵¹ Real-world impact claims may be considered as a sub-category of broader environmental claims referring to the practice of suggesting that a financial product or service has a real-economy impact which is positive for the environment.

⁵² Such as defining what “impact” means, where exactly the impact is achieved, clarifying to what extent additionality, materiality and measurability are considered, distinguishing between investor impact and investee company impact.

⁵³ Extension of Pillar 3 requirements to all banks, review of SFDR, extension of taxonomy reporting to all environmental objectives, sector-specific standards under CSRD.

97. Overall, the EU regulatory framework provides mitigants against several sources of greenwashing, as illustrated in table 1⁵⁴.

TABLE 1. SOURCES OF GREENWASHING AND POTENTIAL REGULATORY MITIGANTS

Potential source of greenwashing	Potential EU regulatory mitigant
Marketing and commercial practice	MiFID 2, UCPD, MCD, CCD 2
<i>Banking product or service</i>	
Green loans	EU Taxonomy EBA's recommendations on definition, adequate advice to bank clients, information disclosure, institutions' staff competences and knowledge and voluntary label
Green mortgages	EU Taxonomy EBA's recommendations on definition, adequate advice to bank clients, information disclosure, institutions' staff competences and knowledge and voluntary label
Deposit	Uncertain (eco-label project on hold)
Green bond	EuGB regulation
Green securitisation	EuGB regulation Technical standards on ESG disclosures for STS securitisations
Sustainability-linked loan	No specific regulatory framework ⁵⁵ , general policy ambition set out in the EC Recommendation on transition finance
Sustainability-linked bond	Partial application of EuGB regulation
Financial advice and discretionary portfolio management	SFDR
<i>Entity level</i>	
Claim on current sustainability characteristics	Disclosure frameworks (Taxonomy, Pillar 3, CSRD)
Claim on sustainability results or real-world impacts	Uncertain
Claim on forward-looking commitment e.g. net-zero claim	Disclosure frameworks (Taxonomy, Pillar 3, CSRD) and requirements on transition plans (CSRD, CRD, draft CSDDD)

⁵⁴ The table includes regulatory initiatives at different phases of development and focuses on level 1 and level 2 frameworks in line with the focus of this chapter on the EU regulatory framework; nonetheless, level 3 requirements and non-binding recommendations such as the EC recommendation on transition finance also contribute to the mitigation of greenwashing.

⁵⁵ The need to be fair, clear and not misleading embedded into general credit legislation such as MCD or CCD would nonetheless apply.

98. Level 3 requirements also contain provisions that may contribute to addressing aspects of greenwashing by regulating institutions' processes or allowing for the consideration of greenwashing-related financial risks in institutions' risk management and CAs' supervision, as further detailed in Chapter 6.
99. Considering that the EU regulatory framework directly or indirectly related to sustainability claims has quickly evolved in recent years and could address several areas of concern, the EBA considers that the most effective way forward to address greenwashing by EU banks is a focus on finalisation and implementation of the existing and planned legislative initiatives. This includes rules on both consumer/investor protection and sustainable finance, including ESG disclosures, transition plans and ESG ratings.
100. In the short term, priority should be given to support a robust implementation of the full set of new regulations and to overcome identified challenges, building on initiatives already undertaken by policymakers. Efforts to address data, usability, consistency, and international interoperability issues should be pursued. In addition, further developments on aspects which are relatively less regulated (transition finance, green and sustainability-linked loans) or where specific issues have been identified (SFDR) would contribute to make the regulatory framework more robust against greenwashing risks.
101. In the medium to long term, once sufficient experience on the application of new requirements has been acquired, an identification of potential gaps could be performed and a new legislative initiative on greenwashing in the financial sector could be contemplated, if needed.

BOX 3. RECOMMENDATIONS TO POLICYMAKERS

PM-1: Provide regulatory certainty by prioritizing the finalisation and **effective implementation of on-going and existing initiatives**, considering both legislation on misleading claims (e.g. UCPD, MiFID2, MCD, CCD1, CCD2) and the different pieces of the sustainable finance regulatory framework (e.g. EU Taxonomy, CSRD, EuGB, ESG ratings, and clarify the status and/or next steps for the Eco-label project for retail financial products such as deposits).

PM-2: Pursue efforts to ensure **consistency among the different elements of the regulatory framework, address data and usability challenges**, and support international interoperability of sustainability standards.

PM-3: Consider establishing **sectoral transition roadmaps and pathways** in line with EU regulations and sustainability objectives as benchmark for sustainability claims and commitments, including transition finance related claims.

PM-4: Implement EBA's recommendations on the introduction of a harmonised high-level **green loan definition**, adequate advice to bank clients, information disclosure, institutions' staff competences and knowledge and a **voluntary green loan label** as proposed in the EBA report on green loans and mortgages.

PM-5: Implement ESAs' recommendations to be included in the joint opinion on **SFDR**.

PM-6: Consider further actions to enhance market integrity of sustainability-linked products, including by monitoring market developments and assessing potential measures to address greenwashing concerns relating to the structure and/or functioning of **sustainability-linked loans** (e.g. setting of targets, level of transparency, ex-post verification).

PM-7: Continue addressing greenwashing in the real economy i.e. tackling misleading sustainability claims by institutions' counterparties (e.g. finalisation of the Green Claims Directive) as this would reduce the prospects of greenwashing in the financial sector.

5. Practices to mitigate greenwashing risks by institutions

102. Practices described in this chapter can be considered as potential mitigants to some identified drivers and types of greenwashing. They have a non-mandatory, illustrative purpose and are aimed at supporting institutions in the implementation of sound approaches and robust processes to protect against greenwashing.

5.1 Key high-level principles and processes

5.1.1 General principles

103. Institutions have a responsibility to communicate sustainability information in a balanced and substantiated manner, in line with requirements to provide “fair, clear and not misleading information”. In a context of evolving regulatory framework and stakeholders’ expectations, institutions should consider observing some key general principles when making sustainability claims, encompassing both entity-level and product and/or service level claims.

104. Firstly, institutions should ensure that their sustainability claims are **accurate and fairly represent their overall profile** and business model, or the profile of their product(s). Claims should convey a representative picture of the entity or product and not omit important information that might influence decision-making or create a misperception on the actual contribution to sustainability. Applying proportionality in any communication, fairly reflecting the extent to which sustainability factors are linked with a given product, portfolio, activity, or strategy can help mitigate greenwashing. On the other hand, claims that highlight only positive sustainability impacts where other aspects of the entity or the product may have a negative impact on sustainability could be conducive to greenwashing.

105. To avoid overstatements at the entity level, institutions should consider the impact of all their business activities. For a credit institution with investment firms or asset management subsidiaries, this involves, for example, avoiding discrepancies between environmental claims related to its lending policies and practices related to underwriting and/or other types of financing activities. At the product level, disclosures, promotional materials, and indicators used by institutions should clearly and fairly represent the sustainability features of the product and should not overemphasize the sustainability aspects compared to other relevant aspects of the product.

106. Secondly, institutions should be able to **substantiate and support their claims** with robust evidence and clear facts. Institutions should carefully assess if their claims can be explained and justified based on reliable, verifiable, and relevant information. Where claims are only valid if certain conditions or caveats apply, those conditions or caveats should be clearly stated. Institutions should take into account the challenges of demonstrating the accuracy of specific types of claims, such as (real-world) impact claims, which would require substantiation of specific elements such as the measurement of the additional effects obtained.

107. Thirdly, sustainability claims should be kept **up to date**, and any changes should be communicated in a timely manner and with a clear rationale. Institutions should regularly review their claims and any supporting evidence to ensure that relevant changes in strategies, policies, operations and/or products are accurately reflected. Where necessary, for example in the case of a significant shift in sustainability policies or objectives, institutions should revise their claims to align with the new policy or objective, transparently communicating about this change. At a product level, a change in the sustainability features of the product should be communicated to consumers and reflected in any sustainability claims about the product.
108. Fourthly, institutions should ensure their sustainability-related claims are **clear and presented in a way that can be understood** by the target audience while maintaining accuracy. Visibility, accessibility and understandability of sustainability claims are key for stakeholders' decision-making.

5.1.2 Governance and internal processes

109. To effectively address greenwashing risks, institutions should consider adapting and enhancing their governance arrangements and internal processes. Sound governance and internal processes should provide relevant safeguards against greenwashing in the formulation, implementation, verification and review of claims. This should ensure that greenwashing considerations are adequately taken into account in the development and implementation of ESG strategies and initiatives, and embedded across frameworks to manage conduct, compliance and ESG risks.
110. Institutions should consider adapting a range of existing processes with a view to applying greater scrutiny and rigor to sustainability-related communications. Such processes could include product approval process, review of marketing material and advertising, preparation of disclosure documents, training of employees, internal controls, due diligence responsibilities to reduce the risk of unintentional misleading claims, and audits.
111. **Internal control mechanisms** are a key element to help ensure the accuracy of claims, or establish sound risk management processes to manage greenwashing-related financial risks (see also below on risk management). First, the compliance function has an important role in ensuring compliance with climate-related laws, rules, regulations and standards, and in advising business relationship officers on the compliance risks of greenwashing, particularly for products and transactions labelled as green, ESG or sustainable. Supervisory experience also shows that compliance functions in some institutions find an increasing need to mitigate the risk of greenwashing, against the backdrop of regulatory developments and voluntary commitments. The internal audit function can also check external communication processes or review the application of relevant frameworks to ensure the integrity of green, transition, and sustainability products.
112. Institutions should also consider the need to invest in **capacity building and expertise**, for example by providing training to the management body, compliance function and business lines, where relevant, on the latest regulatory developments impacting greenwashing, and the making and publishing of sustainability-related claims. Up-to-date knowledge about sustainable finance and the involvement of a range of experts in the formulation or review of sustainability claims can help avoid publishing misleading information.

113. Other practices institutions should consider are:
- i. Mirroring their sustainability claims in their decision-making, culture, and internal processes. If an institution portrays itself as heavily engaged in sustainability, actively reflecting this statement in all relevant processes, including risk management and internal audit strategies, investment and lending policies, corporate culture, and remuneration policies would help address greenwashing concerns.
 - ii. Applying codes of conduct and remuneration policies for sales staff that aim at mitigating the risk of mis-selling of green financial products.
 - iii. Where the terminology used by institutions in the naming and labelling of products or initiatives or in other forms of communication relate to terms such as green, sustainable, positive impacts, carbon neutrality, etc. institutions should ensure that such terminology is justified and sufficiently substantiated.
 - iv. Reviewing and assessing a new sustainable product and/or service through committees from the perspectives of risks, legal and compliance to ensure that both regulatory requirements as well as internal procedures are complied with. Other observed practices include establishing a committee dedicated to the delivery of environmental commitments and establishing a scientific committee validating methodological choices on climate issues.

5.1.3 ESG data

114. Pending the full implementation of new reporting and disclosure requirements under the sustainable finance regulatory framework, and the establishment of the ESAP, which should enable institutions to use reliable and standardized ESG data sources, institutions should consider taking a proactive approach to address data challenges, needs for estimates and potential associated reputational risks. Institutions should consider building insights into ESG data sources they use and the quality of the data underpinning ESG credentials behind their sustainability claims. Such understanding can facilitate accurate presentation and communication.
115. Building internal resources and expertise to assess and verify that external ESG data being used is updated, reliable, and sufficiently robust, would reduce the risk of unintentional greenwashing e.g. by spreading inaccurate and/or misleading sustainability claims due to data shortcomings. Institutions should consider the need to fulfil due diligence responsibilities on ESG data with ambition and care and ensure that the information based on which sustainability claims are made is accurate.
116. Furthermore, transparency about the ESG data sources and methodologies used by institutions, the approach applied to fill data gaps as well as about the limitations of any information, data or metrics used in a claim can limit the risk of greenwashing. For example, when institutions use an ESG rating to make claims about their sustainability profile or the sustainability profile of a product, transparency as to what that ESG rating measures and why it is a relevant measure of their profile or of their product's profile can mitigate the risk of misleading stakeholders.

5.1.4 External verification

117. While the quality and reliability of sustainability disclosures should improve going forward through increased recourse to auditing such as in the context of sustainability reporting under the European Sustainability Reporting Standards, the use of external reviews and third parties' verification or certification is a practice that can add credibility to green/sustainable products and/or targets. External reviews can help institutions mitigate the risk of greenwashing by offering verification, facilitating the good application of green principles and standards to financial products, and demonstrating a commitment to transparency.
118. At a product level, external reviews can contribute to addressing greenwashing concerns by assessing, inter alia, in the pre-issuance phase, the chosen green eligibility criteria, materiality and ambition of KPIs, and overarching sustainability strategies, and in the post-issuance phase the verification of financing allocation and performance. At the entity level, recourse to external validation or assessment of the ambition or credibility of sustainability commitments/pledges may help mitigate greenwashing in relation to forward-looking information (see also below practices to mitigate greenwashing for forward-looking commitments).
119. Institutions should nonetheless consider that external reviews may not provide full mitigation against greenwashing risks⁵⁶.

5.2 Practices to mitigate greenwashing risk at entity level

5.2.1 Forward-looking commitments

120. To address greenwashing concerns relating to forward-looking sustainability commitments and/or long-term sustainability objectives, institutions should consider substantiating such claims with credible plans and strategies. Interim targets, alignment of business practices with said commitments as well as sound monitoring and reporting processes whereby institutions publicly and regularly explain how they are progressing towards their objectives can also help mitigate greenwashing risk.
121. Institutions that have announced net zero targets and/or commitments should consider specific processes to mitigate risks of misrepresentation⁵⁷. While recent market practices suggest growing convergence and transparency, such commitments should be designed with care and supported by consistent business strategies. Institutions should consider how the use of specific frameworks, such as global market alliances, recommendations of the UN High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities, or Science-Based Target initiative, could bring credibility to net zero pledges.

⁵⁶ As described in EBA's Progress Report, stakeholders have raised some concerns over the lack of a high-quality, consistent, science-based and independent verification process, potentially hampering broader use or credibility of external reviews. In addition, while ICMA has documented that the number of issuers obtaining Science Based Targets initiative (SBTi) approval for their sustainable-linked bond targets (SLB) has increased over the past few years, this does not necessarily protect them from controversy. Indeed, among the 15 SLB issuers with controversy reports, 8 of those had SBTi approved targets. See ICMA, market integrity and greenwashing risks in sustainable finance, October 2023

⁵⁷ ECB occasional paper, An examination of net-zero commitments by the world's largest banks, January 2024.

122. For those institutions that have made net-zero claims, embedding net-zero targets into day-to-day business practices and monitoring can be supported by the development and implementation of transition plans. Institutions that have advanced transition planning capabilities are less likely to incorrectly measure or misreport their milestones and targets. Practices supporting credibility of transition plans include the use of scientifically grounded and regularly updated net-zero scenarios that provide pathways relevant to portfolio exposures, and ensuring that the portfolio coverage of metrics and targets allows to draw conclusions on the institution's alignment with the net-zero trajectory, including by considering all relevant sources of greenhouse gas emissions such as off-balance sheet exposures and facilitated emissions linked to funding activities.
123. Appropriate disclosures to substantiate institutions' net zero commitments could also help mitigate greenwashing concerns. Such transparency could help demonstrate accountability by allowing stakeholders to assess how institutions are steering their portfolios to achieve their net-zero targets. Practices institutions should consider include the disclosure of alignment metrics and net-zero targets for a sufficient and representative coverage of exposures, description of the share of exposures covered by these targets, providing details about the methodology used and explanations for any change, and describing the actions undertaken to transition to a net-zero pathway.

5.2.2 Green or ESG financing targets

124. In addition to mitigation actions against potential greenwashing relating to forward-looking commitments such as net-zero targets, institutions should consider practices addressing greenwashing concerns around green or sustainable finance targets. The current lack of comparability or understanding of these targets across banks suggests that practices to comply with the principle of providing fair, clear, and not misleading information should be enhanced with regard to green/sustainable financing claims.
125. To provide clear information about their green or sustainable financing objectives, institutions should consider substantiating their claims with granular information. Transparency about the following aspects could be applied: (i) criteria used for defining green or sustainable assets, (ii) distinguishing between financing of activities that already qualify as green based on the EU Taxonomy and other projects, such as those considered eligible for transition finance, (iii) proportion of the balance sheet and business affected by the financing objectives, (iv) the extent to which capital market activities and services such as foreign-exchange hedging or merger & acquisition advice are taken into account by the target, keeping in mind stakeholders' interest in understanding the institution's actual contribution to sustainability and the share of financing directed towards the real economy.

5.2.3 Lobbying

126. Greenwashing concerns can arise due to perceived inconsistency between sustainability claims and lobbying activity or association membership. To address such sources of greenwashing risk, institutions should consider performing consistency checks between their sustainability claims and their lobbying practices, public-sector engagement and association memberships, and adapt practices as necessary to support alignment with sustainability goals they have committed to.

5.2.4 Risk management

127. Greenwashing or greenwashing allegations can lead to financial risks for institutions as described in Chapter 3. To mitigate such potential impacts, institutions should consider all practices described above that could reduce the probability of greenwashing occurrence, including building strategies and internal processes ensuring that sustainability commitments can be fulfilled. In addition, institutions should consider specific enhancements of risk management procedures, taking into account that consumers, investors and overall market reactions to greenwashing controversies may evolve as public scrutiny on sustainability-related claims continues to increase.
128. Where institutions have announced commitments to sustainability goals or objectives such as net zero targets, they should consider demonstrating that their portfolios are evolving consistently with their objectives⁵⁸, or transparently explaining the reasons for any deviation. In addition, to assess and measure potential impacts on reputation and litigation risks, institutions should consider integrating greenwashing as part of stress testing or other types of forward-looking analyses. Recognising the challenges in the availability of a representative litigation data set, institutions could apply a scenario analysis approach to gauge the impact of potential litigation cases on their operational risks, based on observed greenwashing litigation cases or hypothetical case studies.
129. While institutions could prioritise the integration of greenwashing-related financial risks as part of the management of conduct, operational and reputational risks, they should also consider assessing possible impacts on other types of risks. This could include taking into account the potential effects of greenwashing on liquidity and funding risks, for example as a result of funding withdrawal or reduced ability to issue green funding instruments.

5.3 Practices to mitigate greenwashing risk at product and/or service level

130. To limit and address greenwashing risk at the product and/or service level, institutions should consider a range of practices including building proper processes and controls to manage their green and sustainable products, being transparent about a clear list of eligible projects and activities for green and sustainable finance and applying available guidance and/or standards.

5.3.1 Product governance

131. Institutions should firstly consider applying the key principles and processes described above, which could provide effective mitigants to the risk of misleading customers, investors, or savers. Observing these principles and processes would help ensure that sustainability-related claims about products and services are fair, clear and not misleading, and are consistent with the sustainability characteristics of the product or service. This includes providing transparent and proportionate information in the different stages of the product commercialisation on the key sustainability

⁵⁸ ECB analysis shows that banks that have publicly declared a net-zero commitment often display a significant level of misalignment with a net-zero decarbonization pathways over a five-year time horizon. ECB, Risks from misalignment of banks' financing with the EU climate objectives, January 2024.

features of a financial product as well as on the methodology and data used, for example, with regard to how sustainability indicators relied upon relate to specific aspects or objectives of the product and allow for their precise measurement.

132. Institutions should consider adapting, as necessary, their product approval processes and policies regarding green and sustainable financial products. Having in place strict internal standards and criteria for products and services labelled as sustainable could reduce space for interpretation and mitigate the risk of greenwashing. From that perspective, institutions should consider using definitions and criteria based on international and European standards whenever possible (e.g. EuGB) or being clear and transparent about other criteria and definitions used.

5.3.2 Market guidance

133. Institutions should consider to what extent leveraging on industry best practices or market guidance would mitigate greenwashing risk at product level. For instance, a set of guidelines, handbooks or principles have been created related to Green, Social, Sustainable, Sustainability-linked Loans or Bonds or transition finance products⁵⁹, which could contribute to support comparable product design, definitions and criteria. Recent updates to some of these principles seek to reduce greenwashing risk through clarifications on assets and activities eligibility, the selection of KPIs and SPTs, external review process and reporting.

134. As described in EBA's Progress Report, applying market guidance and/or standards was mentioned by respondents to the ESAs' survey of November 2022 as the most relevant tool to mitigate greenwashing risk at the product level⁶⁰, although few concerns were also raised on the credibility of self-regulation initiatives, e.g. in terms of level of ambition and stringency. Institutions should consider whether guidance and frameworks provided by industry bodies would address investors' or stakeholders' concerns about greenwashing and provide sufficient assurance on their products' integrity.

5.3.3 Sustainability-linked loans

135. Institutions providing or planning to provide sustainability-linked loans should consider addressing greenwashing risk for such products, which – although they tend to be private contracts – could raise credibility concerns and reputational risks. Institutions should consider applying sufficient scrutiny and rigor in their engagement with borrowers and in the design of such products. Attention could be paid to some identified drivers of potential greenwashing risk such as the level of ambition and materiality of KPIs and SPTs, their consistency with the borrower's sustainability strategy, and the degree of transparency and external verification on the sustainability elements of

⁵⁹ Under organizations such as the International Capital Market Association, the London-based Loan Market Association, the Loan Syndications and Trading Association in New York, the Asia Pacific Loan Market Association, the Climate Bonds Initiative etc.

⁶⁰ This finding suggests that the EU Taxonomy has not yet been established as the key classification system for green financial products, although its role for European green bonds and green loans and mortgages is expected to increase.

the loan and/or on the achievement of targets. As mentioned above, institutions should assess whether following market guidance would address the areas of concern⁶¹.

136. Institutions should consider leveraging voluntary guidance provided by the European Commission’s recommendation of June 2023⁶² to support the credibility of their sustainability-linked loans, as well as other types of transition finance products. Institutions should, for example, take into account that the use of science-based, time-bound climate or environmental performance targets could serve as safeguards to greenwashing risk. Institutions can consider possible loan structure types, such as loans with performance targets to finance transition investments (i) in line with science-based transition pathways or (ii) based on the overall share of Taxonomy alignment to be achieved, or loans to finance transition investments that are based on a credible transition plan towards a climate-neutral, climate-resilient and environmentally sustainable economy.

5.3.4 Deposits

137. Institutions providing or advertising deposits or saving accounts as green or sustainable should consider taking specific actions to ensure observance of the key principles described above. This could include establishing a clear framework for the earmarking of the funds acquired from the green deposits towards the financing of projects or activities contributing to environmental sustainability. To ensure transparency towards deposit holders, institutions should consider providing sufficient and granular information on the funds’ allocation.

BOX 4. RECOMMENDATIONS TO INSTITUTIONS

INST-1: Take all necessary steps to ensure that sustainability information provided is fair, clear, and not misleading, including by **observing key principles for sustainability claims** to be accurate, substantiated, up to date, fairly representative of the institution’s overall profile or the profile of the product, and presented in an understandable manner.

INST-2: Review and adapt **governance arrangements and internal processes** to build safeguards against greenwashing, including by embedding greenwashing considerations into internal control mechanisms and investing in ESG capacity building and expertise.

INST-3: Take a proactive approach to addressing data challenges by building **sound ESG data management**, including building insights into ESG data underlying sustainability claims, performing due diligence and being transparent about sources, methodologies and limitations.

INST-4: Consider **external verification** as a tool for providing credibility to green or sustainable products and/or targets.

⁶¹ The update to the Loan Market Association’s Sustainability-Linked Loan Principles provides that key performance indicators should be relevant, core and material, measurable or quantifiable, and possible to compare with a benchmark. Borrowers are encouraged to publicly report on the achievement of targets and external verification is required.

⁶² EC recommendation (EU) 2023/1425 of 27 June 2023 on facilitating finance for the transition to a sustainable economy.

INST-5: Substantiate **forward-looking sustainability commitments** such as net-zero pledges with credible plans and strategies, demonstrating and reporting consistency with objectives committed to.

INST-6: Provide clear and granular information about **green and sustainable finance targets**.

INST-7: Align any **lobbying** practices with sustainability claims.

INST-8: Integrate **greenwashing-related financial risks** as part of management of conduct, operational (including litigation) and reputational risks.

INST-9: Establish and report clear **criteria and definitions** for products and/or services labelled as green or sustainable.

INST-10: Consider to what extent alignment with **market guidance** would address greenwashing concerns around products' integrity.

INST-11: Apply rigor in the design of **sustainability-linked products** in particular sustainability-linked loans, mitigating potential drivers of greenwashing risk such as materiality and ambition of performance targets, and leveraging on European Commission's recommendation.

6. Supervision

6.1 Mandates and resources

6.1.1 Mandates

138. As the findings from the Progress Report showed, the vast majority of CAs consider that their mandates allow them to address different aspects of greenwashing. However, it is often reflected indirectly and limited to the extent that the actions related to greenwashing are conducted within the remit of their primary mandate to ensure the protection of consumers or the resilience of institutions from a prudential perspective. For consumer protection authorities, greenwashing would be relevant to the extent that it is associated with irregular or unfair commercial practices hampering the fairness and transparency of the market for financial products or services, e.g. as misleading claims on the sustainability features of retail banking products or services. For banking supervision authorities, greenwashing would account to the extent that it can be a driver of prudential and conduct risk having an adverse impact on the institutions' safety and soundness as well as the stability of the financial sector.
139. Given the indirect and limited applicability of the primary mandates of the CAs to greenwashing-related actions, CAs view their mandates, powers, and competences as only partially sufficient to encompass all facets of greenwashing, or to adequately mitigate greenwashing risks for institutions.
140. A small number of CAs reported that their mandates, powers, and competences have changed, or at least partially changed, over the last year. Those changes derived from new national legislation that has been passed recently (e.g. the publication of a new circular on risk management) or the development of new toolkits. Those new toolkits include, among others, the development of an IT system to help identify greenwashing under SFDR or the development of internal guidelines covering inspection objectives and techniques.

6.1.2 Capacities and resources

141. The availability of CAs' resources to tackle greenwashing or greenwashing-related financial risks remains on a relatively low level, albeit an increasing trend can be recognised. As the stock take of available resources from the Progress Report showed, nearly 50% of the CAs had two or less Full Time Employees (FTEs) dedicated to various sustainability-related supervisory tasks back in 2022. In terms of the FTEs dedicated to tasks specifically related to greenwashing, the share of available resources was even lower: only 10% of the CAs reported that they have three or more FTEs allocated to those tasks. Although there seems to be a shortage of FTEs dedicated to sustainability-related supervisory tasks, this alone might not provide a complete picture of capacity for sustainability tasks as these can potentially be spread over a larger pool of staff.

142. Putting the snapshot of resources from 2022 in comparison to the latest survey results, most CAs (72%) indicated that the number of their FTEs⁶³ dedicated to sustainability-related supervisory tasks and/or tasks related to greenwashing has not changed over the past twelve months. However, there is some evidence of a positive trend regarding the number of resources. Current survey responses show that seven CAs (out of 29) have increased the number of FTEs dedicated to sustainability-related supervisory tasks within the last year, of which one CA has assigned these FTEs particularly to greenwashing-related risks.
143. On the question whether they have the appropriate or needed number of resources and expertise to address greenwashing or greenwashing-related financial risks, most CAs indicated that they were facing gaps. Only a few CAs (21%) reported to not lack any resources or expertise. When asked about the extent of potential gaps, various CAs specified that their resource constraints become apparent both in terms of the number of FTEs dedicated to greenwashing and of the expertise on greenwashing. As the availability of skilled resources is a crucial factor for the CAs to keep up their current supervisory activities in the field of greenwashing and to further extend their effort in the future, special attention should be paid by CAs to build- and/or skill-up resources to the extent possible.
144. Recognising the increasing importance of greenwashing-related matters in the financial sector, some CAs committed themselves to building up their supervisory workforce in terms of number of FTEs and the required skillset over the coming years. As of their capacity planning, six CAs explained that they intend to increase the number of FTEs dedicated to sustainability-related supervisory tasks in 2024, whereas three out of the said six CAs will assign, to a certain degree, these FTEs to tasks related to greenwashing. For the year 2025, only three CAs shared their estimation of the development of resources stating that they were planning to increase the number of FTEs dedicated to sustainability-related supervisory tasks, whereas two of those three CAs will assign the FTEs to tasks related to greenwashing.
145. As these developments and estimations show, CAs have already begun to stock up their capacities in terms of number of FTEs and the required expertise, however, in most cases more broadly on sustainability-related matters, and not specifically on greenwashing.

6.2 Supervisory practices

6.2.1 Supervisory activities

146. Since the last survey in 2022, 17 CAs have carried out or are planning to carry out supervisory activities or other measures in relation to greenwashing. This result is quite stable in comparison to the previous survey, where 18 CAs indicated that they were either already carrying out supervisory activities or were planning to do so. Some examples of concrete activities, distinguished between activities related to banking supervision, conduct supervision or supervision of investment firms/funds, can be found in the following Box 5.

⁶³ Including FTEs dedicated to the supervision of banks, investment firms and payment service providers.

BOX 5. EXAMPLES OF SUPERVISORY ACTIVITIES

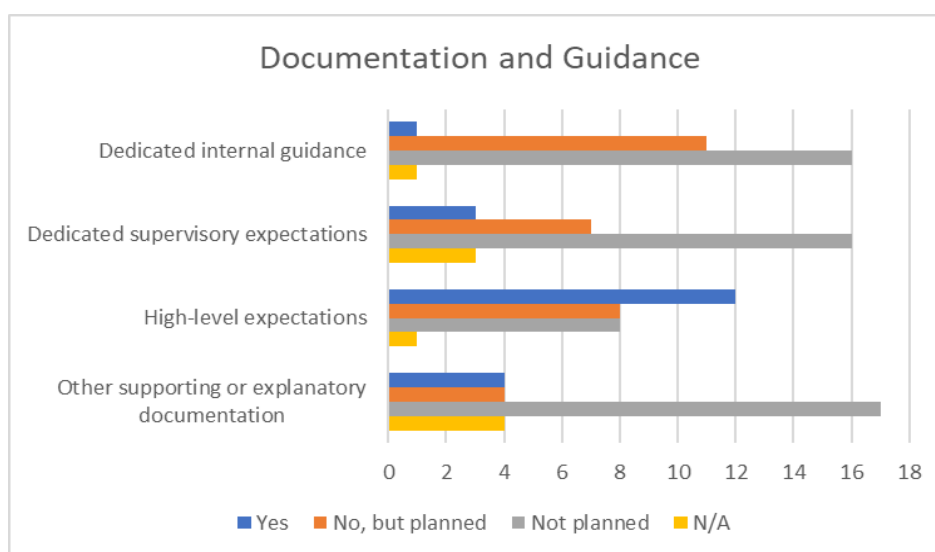
- Banking supervision:** From a banking supervision perspective, some CAs mentioned that in 2023 several supervisory activities regarding climate-related and environmental risks took place. However, most of those were not specifically aiming at addressing greenwashing-related matters, but in some cases these assessments partially covered aspects of it or their results can be used to inform on this topic. Those supervisory activities included, amongst others, (i) monitoring of the findings from the ECB Thematic Review on climate-related and environmental risks, (ii) follow-ups and/or assessments on the banks' climate-related and environmental risk preparedness and compliance with respective supervisory expectations (either national expectations or from the ECB Guide on climate-related and environmental risks), (iii) performance of on-site inspections and (iv) benchmark reviews among selected banks. Furthermore, some CAs mentioned that they were analysing disclosures (e.g. SFDR) or they were looking at the results of the regular ECB Climate Risk Disclosure Assessment to inform on potential greenwashing cases. Two CAs stated that they were planning to publish/update national supervisory expectations on climate-related and environmental risks. One CA plans to conduct deep dives on reputational and litigation risk associated with climate-related and environmental strategies and risk profiles for selected banks. One CA highlighted that it had intensified its dialogue with the institutions regarding climate risks and integrated climate risk considerations into their supervisory activities for LSIs (e.g. by monitoring the execution of three-years action plans).
- Conduct supervision:** In terms of conduct supervision, some CAs mentioned that they were monitoring the commercialisation of retail banking products and services/advertisements. Some CAs stated that they were assessing consumer complaints according to their internal guidelines and/or the existing legal and regulatory framework. One CA is planning to launch a survey among commercial banks on whether they advertise "green" products.
- Investment firms/funds:** Some CAs mentioned that they have taken part and/or would take part in ESMA's "Common Supervisory Actions" (CSAs). In 2023, ESMA launched two CSAs, one on sustainability risks and disclosures by asset managers and one on marketing material by investment firms.⁶⁴ In 2024, ESMA will launch a CSA on MiFID II sustainability requirements. In this regard, thematic reviews were/will be conducted, for instance on the integration of sustainability in investment firms' suitability assessment. Independently from this, a few CAs stated that they were conducting and/or planning to conduct off-site inspections and thematic reviews, e.g. on green banking products distributed to retail clients or on client sustainability preferences. One CA has undertaken a survey on greenwashing risk within a sample of fund managers in 2023. One CA mentioned that it has conducted (governance-/MiFID-targeted) on-site inspections at investment service providers by using an updated control plan integrating sustainability-related obligations. One CA was considering tabulating all products that could be subject to greenwashing risks as a first step for their work related to greenwashing.

⁶⁴ Preliminary findings from these two CSAs are presented in ESMA Final Report on Greenwashing, published in parallel to this report.

6.2.2 Supervisory documentation or guidance

147. With regards to the implementation of supervisory practices related to greenwashing, the latest survey further assessed if CAs were already using or if they were developing dedicated documentation or guidance available to supervisory teams to address greenwashing and the risks stemming from it for institutions. In particular, the existence of four different types of documentation was investigated: (I) dedicated internal guidelines, (II) dedicated supervisory expectations, (III) high-level expectations, and (IV) other supporting or explanatory documentation. Results are presented as follows (Figure 12):

FIGURE 12. USE OF DOCUMENTATION AND GUIDANCE ADDRESSING GREENWASHING



Source: EBA survey to CAs.

148. Even though CAs consider those guidance and documentation made available to supervisory teams as useful tools to enhance the identification and supervision of greenwashing-related financial risks, the number of CAs having such documentation in place remains relatively low, however, it seems to have slightly increased over the last twelve months.⁶⁵ For instance, only one CA indicated having a dedicated internal guidance for ESG supervision addressing greenwashing implemented. However, this guidance was not exclusively set up for the purpose of greenwashing but is structured around principles for ESG risk supervision in general. One CA mentioned that in the context of the banking conduct supervision a reflection of possible guidelines for retail banking products and services was taking place. The highest share in terms of implemented documentation can be found for the high-level expectations. Twelve CAs indicated that they have set up high-level expectations addressing greenwashing and its risks, however, most of them are part of broader ESG-related materials/documents and not solely focused on greenwashing. In this regard, CAs refer to, for example, the ECB Guide on climate-related and environmental risks and to own national high-level expectations for credit institutions.

⁶⁵ However, the comparison should be done with caution as some answers from the CAs given in the latest survey leave some room for interpretation and/or can be understood ambiguously.

6.2.3 Data

149. The integration of reliable and high-quality data into the supervisory processes is crucial to identify and monitor greenwashing risk of institutions. As the latest survey results show, the vast majority of CAs intend to identify and monitor greenwashing risk in the future, by using the data and information stemming from the field of ESG regulation. In this context, CAs consider the information originating from the Taxonomy Regulation, the CRR (Pillar 3 ITS on ESG risks), the SFDR and the CSRD as the most relevant sources for the (potential) identification and monitoring of greenwashing. Some CAs reported that they were also making use or planning to make use of information stemming from national disclosure requirements (which are mostly aligned with the EU Regulation and/or other public disclosures, e.g. TCFD). Furthermore, some CAs indicated that they intend to leverage on the information that they receive in the context of regulatory climate- or environmental risk exercises (e.g. the ECB Thematic review or climate risk-focused on-site inspections). In addition to information stemming from the ESG-related regulation and supervisory activities, CAs stated that information obtained from the institutions' online appearance (e.g. product advertisements on the institutions' website), the institutions' annual report or information obtained from customers' complaints and the media are useful sources to keep track of greenwashing-related incidences.
150. Despite the variety of possible information and data sources, CAs see some limitations in their usability to identify, address and monitor greenwashing risks. These concerns are grounded on the following reasons: (i) (self-selected) information provided by or disclosed by institutions may not allow to identify greenwashing; (ii) the scope of application of some regulations does not capture all institutions, such as CSRD or CRR – in this regard, a potential extension of Pillar 3 requirements on ESG risks to all credit institutions is seen as a positive factor; and (iii) CAs may lack experience and tools for analysing this data at the moment.
151. In terms of if and how the information and data collected from the sources mentioned above are already used, a few CAs reported that they were already conducting regular media monitoring, screening banks' advertisements, or analysing consumer complaints in order to identify potential greenwashing cases. Two CAs mentioned the performance of recent on-site inspections. Although their scope was not specifically tailored to greenwashing, the observations from the on-site inspections will be analysed by the CAs to potentially inform on any greenwashing-related concerns. One CA was considering using the data stemming from the upcoming CRR reporting requirements to assess the plausibility of prudential transition plans of the institutions. Another CA intends to build an IT system/web-scrape to inform its assessment of greenwashing. In contrast to these first efforts, there are some CAs who have not elaborated yet how to potentially identify or monitor greenwashing based on the aforementioned data sources. Some of those CAs are waiting for common definition or supervisory guidance. In this regard, some CAs reported that they aim to follow Single Supervisory Mechanism (SSM) methodologies as soon as they are available. One CA explained its non-activity with the absence of a mandate to supervise greenwashing.
152. In conclusion, the current state of play regarding the use of data to identify and monitor greenwashing is quite mixed. Whereas some CAs are already making efforts or have plans to integrate available data into their supervisory processes, other CAs are waiting for the regulatory landscape of greenwashing to evolve before acting.

6.2.4 Cooperation with other authorities and sanctions

153. The majority of CAs have not received information from or cooperated with other authorities regarding greenwashing yet. Only five CAs stated that they have liaised with other stakeholders and referred to either cooperations with other national authorities (e.g. Authority for Consumers and Markets, public prosecutor's office, ministry of environment) or collaborations with industry (e.g. banking associations, meteorological institute).
154. In terms of taking up enforcement actions, most CAs stated that they have not taken any of those actions, such as sanctions or other administrative measures, with respect to greenwashing. Amongst those, one CA explicitly highlighted that it was not foreseeing to enforce any supervisory action in terms of greenwashing without a clear mandate, regulatory framework and implemented definition on it. Nearly one third of the CAs responded that they had not taken formal enforcement actions with respect to greenwashing yet but would not exclude that this could happen in the future. In this vein, two CAs further elaborated that they could adopt specific actions prospectively, addressed either to the market as a whole or only to a subset of financial market participants.
155. Whereas in the previous survey none of the CAs had taken up any formal enforcement action so far, two CAs confirmed now that they took action since the end of 2022.

6.2.5 Financial literacy and education

156. When CAs were first asked about their engagement in financial literacy and education initiatives involving the issue of sustainability generally or greenwashing specifically in 2022, 50% reported that they had conducted such initiatives. As the latest survey results show, this trend seems to continue. Since November 2022, half of the CAs have conducted new financial literacy and education initiatives including the issue of sustainability generally or greenwashing specifically.
157. Among the newly launched initiatives are:
- Publications (e.g. website articles or videos) and events (e.g. public conferences, information campaigns, targeted seminars) related to green/sustainable finance in general to disseminate knowledge about green financial markets and products and sustainable finance regulation;
 - Publications and events specifically targeted to greenwashing, for example by explaining the meaning of green/sustainable finance, the concept of greenwashing and illustrating it with specific cases potentially faced by consumers (e.g. misleading advertisement of financial products as green);
 - Participation in the development of the Joint Committee interactive factsheet on financial education and sustainable finance;
 - Staff publications contributing to raising awareness and developing knowledge on the topic of greenwashing.
158. As a supplement to the above-mentioned initiatives, educational programmes are seen instrumental in equipping consumers with the relevant knowledge and skills to reflect critically on retail products' characteristics and their alignment with climate-related and environmental considerations. In collaboration with ESMA and EIOPA, the EBA is actively working on the integration

of ESG dimensions in the promotion of financial education, as part of the ESAs' mandates to review and coordinate financial education and literacy initiatives of national authorities. Despite the general agreement on the fact that fostering consumer awareness is a key component to combat greenwashing risks, CAs emphasised the need for a precise delineation of consumers' role, highlighting that the primary responsibility remains on the financial sector and supervisors within their mandate.

6.2.6 Challenges

159. Many CAs are facing some obstacles or challenges towards taking supervisory activities in relation to greenwashing. A snapshot of the CAs' current responses shows that the identification and monitoring of greenwashing risks in the financial sector is especially hampered by the following factors:

- Lack of a clear mandate to investigate the issue and to enforce remediation, if needed;
- Absence of a specific framework on greenwashing, e.g. lack of specific rules in retail banking markets, or lack of mapping with existing legal requirements;
- Lack of a harmonized definition of greenwashing, criteria and materiality benchmarks to identify and measure the impact of greenwashing-related financial risks on the risk profile of the institutions;
- Legal uncertainty around the ESG domain, as legislation and common principles are continuously being revised or established;
- Absence of specific methodology or guidance on how CAs can detect and collect information on (potential) greenwashing cases or how they can verify whether green deposits are actually used for green investments;
- Lack of data and software applications to analyse it;
- Lack of human resources and/or supervisory experience;
- The broad extent of the greenwashing phenomenon, which can occur in so many different forms and can relate to thousands of underlying assets, impedes a comprehensive supervision.

160. Compared to the previous survey results, the obstacles and challenges identified by the CAs have not substantially changed lately. However, one CA highlighted that the challenges in taking supervisory activities might potentially increase as the portfolio considered as 'sustainable' by banks is also growing.

6.3 Supervisory framework

161. This section focusses on the level 3 requirements, which may contribute to addressing aspects of greenwashing through regulating institutions' processes, supervisory processes and consumer protection. First, it provides an overview of the relevant EBA Guidelines and details how these could potentially be utilized by CAs in the future for the sake of the supervision of greenwashing or greenwashing-related financial risks. Although the respective guidelines do not explicitly refer to greenwashing itself, their provisions can be used as a starting point to mitigate greenwashing risks

considering that in the medium to long term further improvements to the regulatory framework could be contemplated, if need be, to fully capture this topic. Secondly, the section gives a picture of how those guidelines were already used in the past by the CAs to identify or to mitigate greenwashing-related risks. In this conjunction, it should be noted that most of those use cases, which will be illustrated in the following paragraphs were already reported by the CAs for the purposes of the Progress Report and no substantial changes in supervisory approaches could be identified based on the follow-up survey results.

6.3.1 Institutions' loan origination, governance and stress-testing processes

162. As applicable of 30 June 2021, the ***EBA Guidelines on loan origination and monitoring***⁶⁶ ("LOG") include, among others, minimum requirements for institutions that plan to engage in environmentally sustainable activities, including having in place:

- a list of the projects and activities, as well as the criteria, that the institution considers eligible for environmentally sustainable lending or a reference to relevant existing standards on environmentally sustainable lending;
- the process by which the institutions evaluate that the proceeds of the environmentally sustainable credit facilities they have originated are used for environmentally sustainable activities.

163. According to the latest survey results, the LOG are the most frequently mentioned EBA product and already used by eleven CAs for assessing the regulatory compliance of institutions that engage with or plan to engage with sustainable activities. A few instances of prevailing supervisory activities include:

- Assessing the above-mentioned requirements of the LOG as part of a broader thematic review on climate-related and environmental risks. Results have shown that credit products with sustainability features are generally grounded on basic practices, while institutions offering those products are not properly prepared to respond to the litigation and reputational risks arising from them (see also below findings on litigation and reputational risks);
- Surveying how the LOG are implemented, including a view at procedures preventing greenwashing;
- Monitoring compliance with the provisions of the LOG related to environmentally sustainable lending of a significant institution;
- Reviewing the credit risk admission policy of an institution;
- Performing a review of how institutions define 'green' in their green loan products.

164. While some CAs have already taken action on the basis of the existing provisions of the LOG, other CAs who have not done yet are in the stage of planning how to review the implementation of the LOG from the perspective of sustainability/greenwashing in the future. Some CAs raised the idea to integrate such compliance checks of the implementation of the environmental-related aspects of the LOG in the on-site inspection field work, in particular credit risk-focused missions. Especially against the background that the demand for green banking products is expected to rise over the upcoming

⁶⁶ EBA/GL/2020/06

years, the timely implementation of those reviews – either as part of the on-site or off-site activities – will gain further importance for the supervisory work.

165. The ***EBA Guidelines on Internal Governance***⁶⁷ are also used or planned to be used by some CAs for the purpose of mitigating greenwashing. At the current stage, only six CAs reported that they were making use of those GLs for the purpose of assessing the compliance of institutions engaging with sustainable activities. However, several CAs considered that it would be beneficial to include this assessment in the supervisory activities, such as in the context of business models assessments or inspections.
166. The GL describe, among others, requirements on the new product approval process that credit institutions should adopt, including a well-documented new product approval policy (NPAP). The NPAP, upon approval of the management body, should cover every consideration to be taken into account before deciding to enter new markets, deal with new products, launch a new service, or make significant changes to the existing products or services. Further, it requires for the approval of new products, or for significant changes to existing products, processes and systems, the involvement of the risk management and the compliance function. Therefore, when embedding the review of compliance within the GL in the supervisory activities, it could be ensured that institutions take any potential greenwashing aspect into consideration when deciding to enter new markets or deal with new products with sustainability features. Furthermore, the requirements on institutions' risk culture prove to be another good starting point for CAs to reflect on the level of greenwashing risk within the institutions. As the implementation of a strong risk culture fosters the accountability of staff members and alignment of risk-taking behaviour with the institutions' risk profile, the institutions' ability to make sound and informed decisions will be strengthened, thus diminishing the potential for any greenwashing-related risks. Therefore, CAs may take considerations on greenwashing risk into account when checking on the institutions' risk culture being compliant with these GL.
167. Lastly, the ***EBA Guidelines on institutions' stress testing***⁶⁸ may be used as a further point of reference by CAs. As those GL include requirements for institutions to perform stress testing of conduct-related risks arising from the current or prospective risk of losses from the inappropriate supply of financial services and the associated litigation costs, including cases of wilful or negligent misconduct, CAs could refer to them in order to verify if and how institutions consider greenwashing in their conduct-related risk stress testing going forward.⁶⁹ However, at the current stage, there is no information on the implementation of the GL in relation to greenwashing available yet.

6.3.2 Supervisory review and evaluation process

⁶⁷ EBA/GL/2021/05

⁶⁸ EBA/GL/2018/04

⁶⁹ The Guidelines provide that institutions should take into account that conduct-related risk, as part of legal risk under the scope of operational risk, arises because of the current or prospective risk of losses from the inappropriate supply of financial services and the associated litigation costs, including cases of wilful or negligent misconduct. In their stress testing, institutions should assess the relevance and significance of the following exposures to conduct-related risk and associated litigation costs: a) the mis-selling of products, in both the retail and the wholesale markets; b) the pushed cross-selling of products to retail customers, such as packaged bank accounts or add-on products that customers do not need; c) conflicts of interest in conducting business; f) poorly designed distribution channels that may result in conflicts of interest with false incentives; and h) the unfair processing of customer complaints.

168. In terms of the guidance provided to supervisors, the ***EBA Guidelines on the Supervisory Review and Evaluation Process***⁷⁰ (SREP) contain several provisions that can be used to assess to what extent institutions are exposed to greenwashing-related financial risks and how to factor this assessment into supervision. The provisions are further elaborated in the following paragraphs. As of now, only a minority of CAs reported to have made use of those provisions for the purpose of supervising greenwashing-related financial risks.
169. In the first place, CAs should make use of available information and outcomes from other supervisory activities that can, even if not directly designed to target greenwashing, potentially inform on it and should reflect that information in their SREP assessment. In this regard, the outcome of climate- or environmental-related on-site inspections, thematic reviews or deep-dives as well as market conduct and consumer protection activities, like conduct risk assessment, might be useful as a starting point to reflect greenwashing-related considerations – at least indirectly – in the SREP assessment.⁷¹ In general, CAs have not yet reflected explicitly in their SREP assessments information and outcomes related to greenwashing coming from other supervisory activities. Nonetheless, most CAs shared the view that reporting such information in the SREP may gain more relevance in near future, as the integration of ESG aspects in the SREP takes up speed and further supervisory activities that might inform on greenwashing-related matters are in the pipeline.
170. In addition, CAs may assess, as part of the SREP, whether institutions’ code of conduct allows for the mitigation of greenwashing risks, e.g. by establishing principles on and providing for examples of acceptable and unacceptable behaviours linked in particular to financial misreporting and misconduct, including but not limited to mis-selling and other violations of consumer protection laws. Within their SREP practices, CAs have not yet assessed whether institutions’ code of conduct, or broader ethical corporate and risk culture, addresses the risk of greenwashing, however, it may gain importance in the future as it may be taken into account for the assessment of operational and reputational risks.
171. Lastly, CAs may account for greenwashing risks within their assessment of the reputational risk as part of the SREP. In general, the assessment of reputational risk to which the institution is exposed to concentrates on the assessment of the overall reputational risk framework, including the implementation of appropriate communication strategies, which ensures that the institution is capable of identifying and dealing with any events that may generate a negative impact on its reputation. In the context of the assessment, both internal and external factors or events that might give rise to reputational concerns should be taken into account by the CAs, for instance: sanctions and ongoing known investigations from official bodies and media campaigns and consumer-association initiatives that contribute to a deterioration in the public perception and reputation of the institution.
172. Generally, CAs have not yet assessed if and to what extent greenwashing-related matters drive reputational risks that institutions are exposed to as part of the SREP. However, some CAs have started to evaluate, as part of broader assessments, institutions’ climate risk preparedness and

⁷⁰ EBA/GL/2022/03

⁷¹ Likewise, the findings from the SREP assessment should inform other supervisory processes.

compliance with supervisory expectations on climate-related and environmental risks that embrace the management of reputational risks stemming from climate-related factors.

173. Going forward, CAs generally consider that greenwashing aspects could be increasingly reflected in the SREP in near future, especially for the assessment of operational and reputational risks, as the impact of greenwashing risks on the institutions' risk profile may increase given that the demand for green products is expected to rise as well as the clients' awareness of the topic.
174. In addition, the reflection of greenwashing risks within the SREP as part of the reputational risk assessment might be driven forward as further supervisory activities coming their way. According to the latest survey results, one CA plans to conduct deep dives on reputational and litigation risk associated with climate-related and environmental strategies and risk profiles for selected banks. Another CA was preparing the launch of a survey among commercial banks focusing on their advertisement of their green products.

6.3.3 Consumer protection

175. From the consumer protection perspective, several EBA guidelines provide a basis for CAs to address greenwashing and its risks.
176. Firstly, the ***EBA Guidelines on product oversight and governance arrangements for retail banking products***⁷² (POG GL) setting the framework for robust and responsible product design and distribution for the retail banking products that fall into EBA's consumer protection remit⁷³ address some conduct risks and supplement other EBA guidelines in this regard that may be relevant to product oversight and governance, such as EBA Guidelines on Internal Governance. The POG GL contain requirements for both manufacturers and distributors of retail banking products and focus on, amongst others, the appropriateness of the internal control functions/arrangements, identification of the target market, product testing, disclosure, product monitoring, remedial actions and distribution channels, and information requirements.
177. Regarding the utilisation of the POG GL, many CAs have not assessed yet whether and how those can be used to account for greenwashing-related conduct risk. Nevertheless, there are some initial approaches. For instance, one CA plans to assess sustainability-related conduct risk, which could include greenwashing using the POG GL as one possible tool.
178. In general, CAs agreed on the point that the POG GL may already prove useful to prevent greenwashing related to banking retail products as they require that consumers' interest shall duly be taken into account at every stage of the lifecycle of the product. Thus, where a product is intended to be sustainable, a prior assessment is to be conducted to identify whether it may appropriately serve the desires and needs of the consumers within its target market, helping to diminish misleading pre-contractual information and commercial claims.

⁷² EBA/GL/2015/18

⁷³ Those products are: mortgages, personal loans, deposits, payment accounts, payment services, and electronic money.

179. Secondly, there are the ***EBA Guidelines on remuneration policies for sales staff***⁷⁴ which aim at reducing possible conduct costs for financial institutions by strengthening the framework for financial institutions' remuneration policies and practices. If applied properly, the GL lead institutions to avoid providing incentives for greenwashing in commercial practices, such as pushing the sale of sustainable products that are not in the best interest of a client. The GL apply to remuneration paid to staff employed by credit institutions, creditors, credit intermediaries, payment institutions and electronic money institutions when selling mortgages, personal loans, deposits, payment accounts, payment services and/or electronic money.
180. As of now, only a couple of CAs have started to (partly) evaluate how the EBA Guidelines on remuneration policies for sales staff, if appropriately implemented by the institutions, would foster the mitigation of greenwashing-related conduct risk. However, as the GL contain principles combating the risk of mis-selling by incentivising institutions to treat consumers fairly, some CAs stressed the relevance of the guidelines in the future to address greenwashing regarding conduct supervision.
181. Thirdly, the ***Guidelines for complaints-handling for the securities (ESMA) and banking (EBA) sectors***⁷⁵ can support mitigating greenwashing risk and fostering consumer protection as the GL contain requirements for complaint handling applicable for products/services under the EBA's remit. Since the GL do not make any specification on the possible complaints' causes, CAs may use them to address complaints related to greenwashing.
182. CAs are at different stages in developing their approach to sustainability-related consumer protection and conduct risk, also with respect to those GL. While most of the CAs have not started to assess whether and how the GL can be utilized to identify greenwashing risks yet, four CAs stated that they already refer to those guidelines with a view of detecting potential cases of greenwashing. Considering the rising trend of products manufactured and distributed with an ESG label, which raises the potential for misleading statements and declarations by the offering institutions, CAs considered the GL to be relevant in the future.
183. Finally, complaints are an important source of information for market conduct supervisory activities and any greenwashing-related complaint would help monitor greenwashing over time.

BOX 6. RECOMMENDATIONS TO SUPERVISORS

SUP-1: Pursue on-going and planned efforts to **identify and monitor greenwashing-related financial risks** of institutions in your jurisdiction and **amplify supervisory activities** related to greenwashing within the remit of your respective mandate, taking into account key principles outlined in section 5.1 when assessing entity and/or product/service level sustainability claims.

⁷⁴ EBA/GL/2016/06

⁷⁵ JC 2018 35

SUP-2: Make use of the power given by the **existing supervisory framework** to account for the impact stemming from greenwashing-related matters on the institutions' risk profile, e.g. through the SREP GL when assessing reputational and litigation risks.

SUP-3: Include verification of institutions' **compliance with relevant requirements and guidance** as part of supervisory activities, including:

- **Guidelines on Loan origination and monitoring** – processes for environmentally sustainable lending,
- **Guidelines on Internal Governance** - institutions' new product approval policy (with respect to products with sustainability features) and risk culture,
- **Guidelines on product oversight and governance arrangements for retail banking products** – institutions' processes to mitigate greenwashing-related conduct risk for retail banking products from product manufacturing to distribution.

SUP-4: Monitor and evaluate **sustainability commitments** of institutions in your jurisdiction, e.g. by conducting regular screenings of institutions' disclosure or website information, or use of innovative tools like web-scraping.

SUP-5: Build-up **expertise and capacity/human resources** to address greenwashing-related matters and be able to keep up with regulatory developments, e.g. by upskilling and training of staff on ESG in general or greenwashing specifically.

SUP-6: Promote further **financial literacy** initiatives to raise awareness and develop knowledge on the topic of greenwashing.

BOX 7. RECOMMENDATIONS TO EBA

EBA-1: Provide **regulatory guidance** on addressing greenwashing-related aspects within the prudential and conduct supervision by continuing **updating the existing supervisory framework**, e.g. SREP GL, with ESG-related provisions including the impact of greenwashing risks on institutions' risk profile, POG GL.

EBA-2: Foster and facilitate **knowledge sharing** between CAs on best practices for supervising greenwashing risks.

EBA-3: Continue to **address greenwashing concerns** in the financial sector and strengthen institutions' resilience against it by enhancing the consideration of greenwashing-related financial risks in the **institutions' risk management processes** by the respective EBA GLs, e.g. ESG risks management GLs to institutions.



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