Response to ESAs call for evidence on greenwashing

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A. ESAs common section of the CfE

1. Possible features of greenwashing

1.1 Core features of greenwashing

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

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

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

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

4) Greenwashing can occur at any point where sustainability-related statements, declarations or communications are made, including at different stages of the cycle of financial products/services (e.g.

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manufacturing, delivery, marketing, sales, monitoring) or of the investment value chain (e.g. issuer, benchmark/rating provider, investment firms, etc.).

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

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

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

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

Insurers have been at the forefront of sustainable investment for many years, taking concrete actions such as implementing sustainability-related disclosures, standards and strategies into their portfolios. The insurance sector has seen the need for significant policymaking action on sustainability and has always been very supportive of the EC's sustainable finance (SF) agenda objectives, as well as the wider Green Deal elements, which are key to getting the whole of society to change.

Currently, the **lack of clarity and inconsistency in the EU SF regulatory framework** is creating diverging interpretations and confusion for consumers and investors, which can lead to unintentionally flawed information from financial market participants. Guidance on the application of SFDR Articles 8 and 9 is needed but should not mean that divergent interpretations preceding its publication are automatically considered to be greenwashing.

Another challenge is the **multiplication and sometimes contradicting definitions of what "green" is** (get the definition of sustainable investment). The SFDR, the Taxonomy Regulation, the IDD and MiFID Delegated Acts, ESMA guidelines on funds' names, and other voluntary frameworks all offer competing definitions. Resulting cases of differing interpretations must be clearly differentiated from cases of noncompliance with existing regulatory requirements which may be considered as greenwashing.

The lack of harmonised definitions is also challenging for distributors and consumers not yet fully familiar with the SF framework.

- Insurers are committed to provide training to distributors, yet the implementation of a training programme requires time. Until the training is completed, there may be a risk of flawed information due to a lack of expertise by distributors.
- Increasing financial literacy is key as some terms are highly technical and may generate confusion for the consumer.

Furthermore, some key elements of the SF framework are not yet finalised and there are challenges with the sequencing that create difficulties in collecting the data insurers need. Robust ESG data is still very scarce because of a lack of reporting by companies and a lack of transparency by ESG data providers and ESG ratings providers on methodologies and assumptions. This **lack of data (or reliable third-party data)** is a source of greenwashing risk.

The **mismatch in timelines and application dates** for the various initiatives under the SF framework creates a structural obstacle to the implementation of legal requirements by insurers. For example, the inconsistent application timeline between the IDD sustainability preferences, SFDR Article 8 and 9 templates and Ecolabel regulation means that different legal regimes apply successively in a very short period. This creates substantial implementation cost for insurers and confusion and potentially an impression of greenwashing for customers. It also leads the financial sector to face a data gap (eg input for SFDR reporting is only available since 2023 based on Taxonomy Article 8 DA and will only be available from 2024 based on the CSRD), creating significant compliance and greenwashing risk challenges.

For the SF framework to deliver on its high ambitions while addressing greenwashing risks, no new regulation on greenwashing is needed. Well established and effective rules protect customers from unclear or misleading claims including on sustainability-related characteristics (eg the Unfair Commercial Practices Directive and the Unfair Terms Directive). Instead, further clarification, coherence and guidance are needed to deliver on sustainable objectives. Insurers must be able to offer many sustainable products to match with clients' expectations. Portfolios are only going to increase and strengthen their sustainable assets in the upcoming years in keeping with the clarification of the framework.

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

In some markets, greenwashing is already embedded in the legislation. For instance, in France, insurers usually understand greenwashing as defined by Article L 121-2 of the French Code for consumption. According to this definition, greenwashing is a form of unfair business-to-consumer commercial practice. It can encompass various forms such as false promises, misleading actions or misleading omissions that may materially distort the economic behaviour with regard to the product of the average consumer whom it reaches or whom it is addressed. Consequently, greenwashing only applies in the context of a commercial relationship. To address this issue, the French supervisor (ACPR) recently issued a recommendation (2022-R-02) on the promotion of ESG features in life insurance advertisings.

In the EU, greenwashing can be addressed via the Unfair Competition Directive, even if not mentioned explicitly.

1.2 Dimensions of greenwashing

1.2.1. The potential roles market participants can play in greenwashing

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

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

- No

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

Insurers must currently rely on sustainability data for which, with regards to many ESG topics, methodologies and metrics are only at an early stage of development. Such a **lack of maturity on ESG issues and methodologies** can lead to the risk of unintentional under- or overstatement, which could create the impression of greenwashing or green bleaching (underestimating how green a company/product is). From that perspective, insurers welcome initiatives standardising the measurement of insurance-associated GHG emissions.

In addition, challenges with the sequencing of the EU sustainable finance legislations create **difficulties to access consistent and reliable company data** needed by insurers. In that perspective, European insurers welcome the upcoming SFDR reporting requirements application, and the finalisation of the CSRD which will require a large number of companies to report on sustainability matters, therefore improving investors' access to standardised sustainability data. However, until such legislations are implemented and work well in practice, reliable and consistent data availability will remain low.

Consequently, unclear or even inaccurate information could be triggered, spread and/or received by financial market participants as a result of the **lack of clarity and inconsistencies of EU legislations, low availability of sustainability data, too short implementation deadlines and the low maturity of methodologies and metrics** for measuring impacts on sustainability factors. In that context, insurers apply a best-effort approach, substantiating their sustainability-related claims based on data provided by other market participants. In practice, due to EU legislations sequencing issues and general nervousness around the lack of legal clarity and potential greenwashing perception leading to reputation risks, there might be a period where very few ESG products are sold.

To address these issues, the role of legislators in providing clear and applicable regulatory framework and the role of supervisors in striving to provide consistent interpretations across the EU market, are key.

1.2.2. The topics of sustainability-related claims

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

- *Topic 1: Claims about an entity's governance and remuneration around ESG and about an entity or a product's dedicated resources to sustainability matters:*
  - *i. Board and senior management's role in sustainability*
  - *ii. ESG corporate resources and expertise*
- *Topic 2: Claims about the sustainability strategy, objectives, characteristics or qualifications of a product, an entity, or a service:*
  - *i. ESG strategy, objectives, characteristics,*
  - *ii. Sustainability management policies*
  - *iii. ESG qualifications / labels / certificates*
  - *iv. Engagement with stakeholders*
- *Topic 3: Claims about sustainability-related metrics based on historical data or future targets:*
  - *i. ESG performance to date (including metrics for impact claims)*
  - *ii. Pledges about future ESG performance (ESG targets, including net-zero commitments; transition plan, taxonomy alignment plans)*

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

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

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

In some markets, the regulatory framework (eg in France, Article 29 of the Climate and Energy Law 2019) requires insurers to disclose information on ESG governance, ESG training of employees, investments alignment to the Paris agreement, and ESG risks assessment. Against this backdrop, the greenwashing risk is low at the entity level.

On the other hand, information inaccuracies can occur in relation with ESG qualifications and ESG past and future performance because of several underlying drivers:

- Lack of reliable ESG data: this may lead to under or over-estimating the "green" features of a product and the level of its ESG performance.
- Complexity and unreadability of the regulatory framework: unclear definitions and mismatching regulations.
- Regarding resources, errors occur due to lack of (human) resources.
- Regarding expertise, new operational field so new expertise is necessary.
- Lack of understanding (willingness to understand correctly) from decision makers, managers, or employees.
- Lack of training or information.

Finally, labels and certifications are key for consumers as they can be easily identified and are obtained through an independent process with third-party control. To this extent, insurers are strongly in favor of a European label (or a common definition) for sustainable investments that would help consumers navigate in the complex EU sustainable finance framework and drive harmonised definitions across the market. Indeed, if no unified standard is used, every label defines "green" slightly differently. Therefore, every product or service only needs to find the correct labels/certificate to state, that their product/service is sustainable (Trigger/Spreader).

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

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

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

Insurers identified the following main impacts linked to greenwashing:

- Lack of credibility.
- Reputational risks for financial actors if they unintentionally spread greenwashing because of the lack of data or the complexity of the regulation.

- A risk of materially distorted behaviour by clients as they think they are acting positively for the planet and society through their savings of through other financial services. This may also jeopardise the collective goal of carbon neutrality set by the EU.

A risk in asset allocation by investors: investors may pursue ESG investment strategies in order to minimise transition risks. In this context, if greenwashing occurs, they may also misallocate assets and this could trigger negative effects on the long term.

Q A.6: *In addition to the three topics and eight sub-topics above, do you identify any additional topics which would be relevant to potential greenwashing issues?*

- Yes

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

New sustainable products or services come with vague descriptions. Financial products have unclear underlying options, stipulated as sustainable products.

1.2.3. The way in which a claim can be misleading

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

	1	2	3	4	5	Don't know
Selective disclosure or hidden trade-off (cherry-picking positive information and/or omitting relevant negative information)				x		
Empty claims (exaggerated claims and/or failure to deliver on such claims)			x			
Omission or lack of disclosure				x		
Vagueness or ambiguity or lack of clarity		x				
Inconsistency across various disclosures and communications (marketing, regulatory, website, etc.)				x		
Lack of fair and meaningful comparisons, thresholds, scenarios and/or underlying assumptions			x			
No proof (unsubstantiated)			x			
Misleading /Suggestive non-textual imagery and sounds (including the use of specific colours like green)		x				
Irrelevance		x				

Outdated information		x				
Misleading / suggestive use of ESG-related terminology (naming-related greenwashing)		x				
Outright lie (falsehood)				x		

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

- Selective disclosure: omitted information is hard to identify (eg non-sustainable underlying options in Article 8/9 funds are difficult and/or time consuming to find out).
- Omission or lack of disclosure: compliance issues, risk of lawsuits regarding supervisory authorities, civil actions, etc.
- Vagueness or ambiguity or lack of clarity: risk of civil and supervisory lawsuits.
- Underlying options: lack of information from underlying options of funds leads to massive reputational risks.
- Some of the items mentioned - especially items g (no proof) and i (irrelevance) - are redundant with other items as vagueness and lack of disclosure.
- Some of the mentioned misleading practices are easier to identify than others.

1.2.4. Which communication channel

Another dimension of greenwashing is represented by the channels through which sustainability- related claims are communicated to other actors in the sustainable value chain.

These channels include, but are not limited to, the following: (1) Regulatory documents (including Key Investor Documents or Key Information Documents (KIDs), prospectuses, financial statements, management reports, non-financial statements, benchmark statements and methodology documents, insurance—product information documents, pension benefit statements, etc.) or regulatory disclosures, (2) Ratings/benchmarks/labels, (3) Product information (including internal classifications and internal target market, product testing and distribution strategy related documentation), (4) Intermediary/advice information, (5) Marketing materials (including website, social media), (6) Voluntary reporting, falling outside previous categories as reported on a voluntary basis.

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

	1	2	3	4	5	Don't know
a) Regulatory documents (including Key Investor Documents or Key Information Documents, Prospectuses, Financial statements, Management Reports, Non-Financial Statements, Benchmark statements and methodology documents, insurance-product				x		

information documents, pension benefit statements, etc.) and/or any mandatory disclosures,						
b) Ratings (ESG ratings and/or other ESG data products),				x		
c) Benchmarks,		x				
d) Labels,				x		
e) Product information (including internal classifications, and internal target market, product testing and distribution strategy related documentation),		X				
f) Intermediary/advice information,			x			
g) Marketing materials (including website, social media, advertising)				x		
h) Voluntary reporting, falling outside previous categories as reported on a voluntary basis,		x				
i) Other (please specify).						x

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

The inconsistent application timeline between the IDD sustainability preferences, SFDR Article 8 and 9 templates and Ecolabel regulation creates significant risk of greenwashing. The IDD requirements to incorporate customer sustainability preferences entered into force in August 2022, while the Q&As from ESMA and EIOPA were not available. Furthermore, financial companies need the data for their standardised SFDR reporting from their investees on taxonomy data, which is available on a quantitative basis only since 1 January 2023.

In addition, the necessary input for SFDR reporting is only available from 2023 on the basis of the DA on Article 8 Taxonomy and only be available from 2024 on the basis of the new CSRD, according to the draft proposal. Therefore, the financial sector faces a data gap creating very significant compliance challenges.

Insurers also believe that the current **variations of ESG ratings** that can exist across different providers for the same company, due to the low levels of standardisation and transparency of methods, data availability (data are often based only on estimates) and low comparability of ratings, creates reputation risks of greenwashing for those making use of them, unless the reasons for the variation are transparent and easily identifiable.

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

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

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

	1	2	3	4	5	Don't know
a) Product manufacturing		x				
b) Product delivery – marketing: advertisements, non-regulatory information			x			
c) Product delivery – regulatory disclosure			x			
d) Product delivery – distribution channels		x				
e) Product delivery – sales: information asymmetry (this includes under or over emphasis of certain product features)			x			
f) Product delivery – sales: misselling due to misleading information/disclosure			x			
g) Product delivery – sales: misselling due to unsuitable product			x			
h) Product delivery – sales: incentives at point of sale		x				
i) Product management – product monitoring, product review, ongoing product disclosure			x			
j) Business model at entity level – value chain, group structure, innovation/digitalization, outsourcing		x				
k) Business management at entity level – culture, governance arrangements, systems and processes			x			

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

Greenwashing can occur at product or service level because of:

- The lack of harmonised definitions and consistency between EU legislations (eg the definition of sustainable investment) can lead to diverging interpretations and confusion for both consumers and investors and can result in unintentional greenwashing. In this regard, further guidance on the application of Article 8 and 9 of SFDR would be helpful.
- The lack of training: the regulatory framework is complex and distributors are not yet fully familiar with its components. Insurers are committed to provide training to distributors, yet this requires time and the implementation of a training programme that can extend over several months. Until the training is completed, there may be a risk of greenwashing at the advice level because of a lack of expertise by distributors.
- The lack of financial literacy: consumers are not familiar with the EU regulatory framework. Some terms are highly technical. This may generate confusion for the consumer and result in greenwashing.

Further considerations

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

- No

2. Examples of potential greenwashing practices

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

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

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

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

- No, I cannot identify a specific example of potential greenwashing practice.

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

b. As sustainable finance requirements (including definitions and disclosure standards) are new/not in force yet, greenwashing is hard to detect

E. EIOPA section of the CfE

Greenwashing and its risks

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

While insurers support the European Commission's ambitious sustainable finance agenda, the lack of data and unaligned application dates of the various pieces of legislation coupled with increased scrutiny from NGOs means that the **reputational risk** associated with greenwashing has significantly increased. **Risk of litigation** is also further exacerbated by the unclarity of requirement and their application.

In practice, to limit reputational and litigation risks, insurers may be forced to adopt a very conservative approach out of fear of being accused of greenwashing created by the high level of uncertainty as to how to interpret and apply EU sustainable finance legislations.

Other considerations related to the Insurance and Pensions sector

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

No, this example should not be considered as greenwashing. When using voting shares, a company takes into account a number of considerations, one of which is sustainability. It is therefore unfair to expect that all voting decision will be in favour of sustainability without considering the broader context.

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

The insurance industry is highly regulated in relation to sustainability claims, transparency and the implementation of robust processes and controls. This addresses potential greenwashing triggers.

- The **IDD** governs the sale and provision of advice related to all insurance products (life and non-life) by providing robust rules which work well and have had a positive impact on the industry and insurers' customers.
- The **SFDR** increases transparency towards consumers by requiring insurers to provide a large number of disclosures regarding the financial products that they offer.
- The **CSRD** requires all large and listed insurance companies to report not only on the impacts of ESG factors on their financial statement, but also on the impacts of their activities on ESG factors (so-called 'double materiality').
- Insurance-based investment products are currently in the scope of **Ecolabel** which will be, if well designed, an important tool to ensure that sustainable products meet minimum sustainability criteria, thereby increasing the trust of consumers who want to purchase sustainable products.

- Insurers respect the **Prudent Person Principle** when investing on behalf of their clients and sustainability is a key aspect of how the principle is applied and is central in the insurers' risk management. From a risk management perspective, it is crucial for insurers to have greenwashing under control, also in order to limit negative impacts on their reputation.
- Many insurers are considered to be Public Interest Entities and are therefore subject to extensive audit requirements under the **Audit Directive.** Some insurers even go beyond their legal requirement and have their sustainability disclosures voluntarily audited.

If designed correctly, and putting aside the data and timetable or sequencing problems, ultimately, these legislations have the potential to address greenwashing. However, a significant part of the framework intended to prevent greenwashing is not fully in place yet and some of it has not yet been designed.

In the meantime, insurers are doing their best to develop their climate and sustainability related policies, reporting and products. Many have been reporting for a number of years under emerging standards such as the Task Force on Climate-Related Financial Disclosures (TCFD); some have sought voluntarily assurance from audit firms on their sustainability disclosures; and all are now complying with elements of the SFDR already in place and preparing for the additional disclosures required from 2023.

In addition, multiple insurers have joined the **Net-Zero Insurance Alliance** and other initiatives such as the Net-Zero Asset Owner Alliance; the Principles for Sustainable Insurance; and the Principles for Responsible Investments, which supports them with guidance via a common standard to adhere to. This helps to reduce the risk of confusion and therefore of greenwashing.