



Council of the
European Union

**Brussels, 5 June 2023
(OR. en)**

10182/23

**EF 161
ECOFIN 559
ENV 625**

COVER NOTE

From:	European Banking Authority (EBA)
To:	General Secretariat of the Council
Subject:	EBA Progress Report on greenwashing monitoring and supervision

Delegations will find attached a letter on the subject mentioned above.

The EBA's full report is available online and can be downloaded via this link:

https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Reports/2023/1055934/EBA%20progress%20report%20on%20greewwashing.pdf

THE CHAIRPERSON



Floor 24-27, Europlaza,
20 avenue André Prothin, La Défense 4,
92400 Courbevoie, FRANCE

T: +33 1 86 526 832
E: JoseManuel.Campa@eba.europa.eu

<https://eba.europa.eu>

John Berrigan
Director General
Directorate-General for Financial Stability,
Financial Services and Capital Markets Union (FISMA)
European Commission
Rue de Spa 2
1049 Brussels
Belgium

EBA-2023-D-4364

31 May 2023

Subject: Submission of EBA Progress Report on greenwashing monitoring and supervision

Dear Mr Berrigan,

The Commission sent a request for input to the three ESAs on 23 May 2022 asking for assessment on the phenomenon of greenwashing and its related risks, but also on the implementation, supervision and enforcement of sustainable finance policies intended to prevent greenwashing. Each ESA was requested to provide input within its sectoral remit but also coordinate with other ESAs on horizontal aspects and provide a common high-level understanding of greenwashing, first in the form of Progress report by 31 May 2023.

The three ESAs worked closely to prepare those reports, which also included a joint call for evidence to stakeholders. Additionally, the EBA asked the views of its competent authorities. The results of both surveys form the main part of the EBA's Progress Report.

The ESAs propose a 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.'*

In addition to the common high-level understanding, Chapter 2 of the Report contains characteristics of greenwashing and a quantitative analysis of greenwashing trends in the EU. The analysis reveals that pledges about future ESG performance are considered the most prone to greenwashing followed by ESG strategy, objectives, characteristics and ESG performance to date. The outcome of the quantitative analysis of the greenwashing phenomenon in the EU since 2012 shows a clear increase in the total number of potential cases of greenwashing across all sectors, including EU banks. The Progress Report also describes the adverse impact that greenwashing can

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have on the financial risks of institutions and, ultimately, on consumers. Both CAs and stakeholders estimate greenwashing having the highest impact on reputational and operational (incl. litigation) risks.

Finally, the Progress Report includes an overview of existing or planned regulation and supervision, which reveals that several elements may already, or should going forward, contribute to addressing aspects of greenwashing by tackling misleading statements and enhancing transparency on sustainability practices. It should, however, be noted that some implementation challenges have been identified by stakeholders, while several measures of the sustainable finance regulatory framework are still in the early stages of implementation, suggesting that benefits of these frameworks are not fully visible yet.

It is my pleasure to submit to you today the EBA Progress Report as endorsed by the EBA's Board of Supervisors.

In addition, the EBA Report will be published on the EBA's public website.

Yours sincerely,



José Manuel Campa

CC: Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs European Parliament
Claudia Lindemann, Head of ECON Secretariat
Elisabeth Svantesson, ECOFIN Chair, Minister of Finance, Presidency of the Council of the EU
Tuomas Saarenheimo, Chair of Economic and Finance Committee, Council of the European Union
Thérèse Blanchet, Secretary-General, Council of the European Union
Alexandra Jour-Schröder, Deputy Director-General, DG FISMA
Paulina Dejmek Hack, Director Directorate A, General Affairs, DG FISMA
Marcel Haag, Director Directorate B, Horizontal Policies, DG FISMA
Ugo Bassi, Director Directorate C, Financial Markets, DG FISMA
Martin Merlin, Director Directorate D, Banking, Insurance and Financial Crime, DG FISMA
Klaus Wiedner, Director Directorate E, Financial Stability, Sanctions and Enforcement, DG FISMA
Martin Spolc, Head of Unit B2, Sustainable Finance, DG FISMA
Almoro Rubin de Cervin, Head of Unit D1, Bank regulation and supervision, DG FISMA
Petra Hielkema, Chairperson of the European Insurance and Occupational Pensions Authority
Verena Ross, Chairperson of the European Securities and Markets Authority

Encl: EBA Progress Report on greenwashing monitoring and supervision