

Greenwashing: EIOPA publishes its final report and opinion

25 June 2024

Together with the other European Supervisory Authorities (ESAs), EIOPA recently published its [final report on greenwashing](#). The report reiterated the ESAs common high-level of understanding of greenwashing as the “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 report highlights that, as insurers adopt more sustainable practices, the risk of greenwashing increases, as consumers may be misled by inaccurate sustainability claims. The report therefore sets out nine key proposals aimed at enhancing the supervision of greenwashing and improving the sustainable finance regulatory framework:

1. **Common understanding of greenwashing** – the ESA common understanding of greenwashing should be used as a reference point.
2. **Common supervisory approach** – as part of this proposal, EIOPA has published its final opinion on sustainability claims and greenwashing in order to ensure consistent outcomes across the EU (see details below).
3. **Enhanced supervision** – through “mystery shopping” exercises, market monitoring, consumer research and supporting national regulators.
4. **Preventing greenwashing** – as well as following the principles set out in the opinion on greenwashing, insurers should including greenwashing risk considerations in their internal governance processes.
5. **Enhancing supervisory resources and expertise** – as national regulators increase their supervisory focus and activities related to greenwashing, they are encountering issues such as resource constraints, with numerous national regulators seeing the value in the use of SupTech to tackle greenwashing.
6. **Non-life insurance products with sustainability features** – EIOPA is of the view that the current framework does not set explicit standards for non-life products that can claim to have sustainability features and those that cannot, giving rise to a risk of greenwashing. This could be addressed by categorising sustainability features of non-life products together with appropriate product-level disclosures.
7. **Consumer-centric sustainability preferences** – consumer testing has shown that consumers do not understand the current terminology around sustainability, so these could be revised to enhance consumer understanding.

8. Sustainability-related investment framework – Clear disclosure rules help consumers understand the environmental impact of decisions. In this regard, there are various issues with the SFDR, such as lack of clarity on the definition of sustainable investments and the broad meaning of “promotion of environment or social characteristics”. Against that background, and given that SFDR is cross-sectoral, the three European Supervisory Authorities are preparing a joint opinion on SFDR, which is due to be published soon.

9. Mitigating greenwashing in the occupational pensions sector

EIOPA’s [opinion on sustainability claims and greenwashing](#), which was published alongside the report, sets out four key principles for supervision and aims to ensure that sustainability claims made by insurers are:

1. **Accurate:** insurers must ensure that their sustainability claims accurately reflect their practices, as misleading claims harm consumers and undermine trust.
2. **Substantiated:** sustainability claims should be supported by evidence, requiring transparency and robust documentation.
3. **Accessible:** information related to sustainability practices should be easily accessible to consumers, to promote informed decision-making.
4. **Up to date:** regularly updating sustainability claims ensures alignment with evolving practices and standards.

EIOPA will actively monitor sustainability claims to prevent greenwashing in collaboration with national supervisory bodies to enforce compliance. Both the opinion and final report emphasize the need for transparent, accurate, and substantiated sustainability claims. As the insurance industry moves toward greater sustainability, vigilance against greenwashing will be crucial – insurers and regulators will need to collaborate to build trust and promote genuinely sustainable insurance products.
