

Greenwashing as a cornerstone of ESMA's newly released Sustainable Finance Roadmap



EXECUTIVE SUMMARY

On February 10th, 2022, the European Securities and Markets Authority (ESMA) released its **Sustainable Finance Roadmap for the period 2022-2024**¹. This blueprint aims at coordinating the implementation of the supervisor’s broadening sustainable finance mandate. The document is built upon **three main priorities**:

Priorities	Tackling greenwashing and promoting transparency	Building National competent authorities’ and ESMA’s sustainable finance capacities	Monitoring, assessing and analyzing ESG-related markets and risks
Examples of actions	<ul style="list-style-type: none"> Contribute to European Commission’s (EC) efforts to develop EU-wide labels; Cooperate with EC, EFRAG and IASB on delivering an assessment of whether IFRS appropriately integrate sustainability risks. 	<ul style="list-style-type: none"> Map NCAs’ supervisory role taking into account sustainable finance requirements related to investment services; Organize discussion among NCAs of new climate benchmarks and how to effectively supervise them. 	<ul style="list-style-type: none"> Undertake work on climate change scenario analysis; Assess data availability and quality for asset managers.

Among these priority areas, the ESMA puts the emphasis on the **greenwashing** which is at the core of its Roadmap. The development of a common understanding of the issue is insightful.

For the ESMA, **greenwashing** “intuitively refers to **market practices**, both intentional and unintentional, whereby the **publicly disclosed sustainability profile** of an issuer and the characteristics and/or objectives of a financial instrument or a financial product either by action or omission **do not properly reflect the underlying sustainability risks and impacts** associated to that issuer, financial instrument or financial product”.

The roadmap details **an ambitious list of 71 actions and deliverables** that will be undertaken by the ESMA between 2022 and 2024. Several actions are cross-sectoral (e.g., assess greenwashing practices, undertake horizontal mapping of ESG data needs/usages, implement the Sustainable Finance Training Plan) and others are specific to sub-industries namely investment management, investment services, issuers’ disclosure & governance, benchmarks, trading and financial innovation, ratings. With regards to ESG data, this echoes to the **Call for evidence**² on Market Characteristics for ESG Rating Providers in the EU, also launched by the ESMA on February 3rd, 2022.

In particular, the ESMA plans to support **the development of EU-wide labels**, such as EU Green Bond Standard (EU GBS) and other upcoming ESG labels for instruments and investments products. ESMA’s ambitions to **build NCAs’ and ESMA’s capacities** as well as **to build a common European supervisory culture** around sustainable finance are worth to mention.

One distinguishes areas of actions that are in the direct or even exclusive remit of the ESMA from others to which it will only contribute. All the actions planned contribute to ESMA’s direct prerogatives: single rulebook, risk assessment, supervisory convergence & direct supervision.

¹ ESMA, *Sustainable Finance Roadmap*, February 10th 2022, available [here](#).

² ESMA, *Call for evidence on Market Characteristics for ESG Rating Providers in the EU*, February 3rd 2022, available [here](#).

The European watchdog intends to assess or contribute to a large part of current and future regulations:

European legislative texts	International regulations and organizations
<ul style="list-style-type: none"> • Corporate Sustainability Reporting Directive; • Sustainable Finance Disclosure Regulation; • Taxonomy Regulation; • Undertakings for Collective Investment in Transferable Securities Directive; • Alternative Investment Fund Managers; • Market in Financial Instruments Directive II; • EU GBS, Benchmark Regulation. 	<ul style="list-style-type: none"> • International Financial Reporting Standards; • International Organization of Securities Commissions; • Network for Greening the Financial System.

The Roadmap is **holistic**, **consistent**, and **granular** in terms of both priorities and actions identified. In coherence with the fast-evolving nature of sustainable finance, this document is presented as **living** and meant to be regularly updated. Timelines for each action are therefore indicative and subject to **potential future evolutions**.

Contents

Implementing and overseeing the EU’s sustainable finance norms and markets: a roadmap that strengthens capacities and provides clearer guidance	4
Greenwashing is the most prominent priority	5
Overview of the risks and the arising challenges identified by the ESMA	7
Overview of the categories of actions specific to each priority area.....	10
Appendix	13

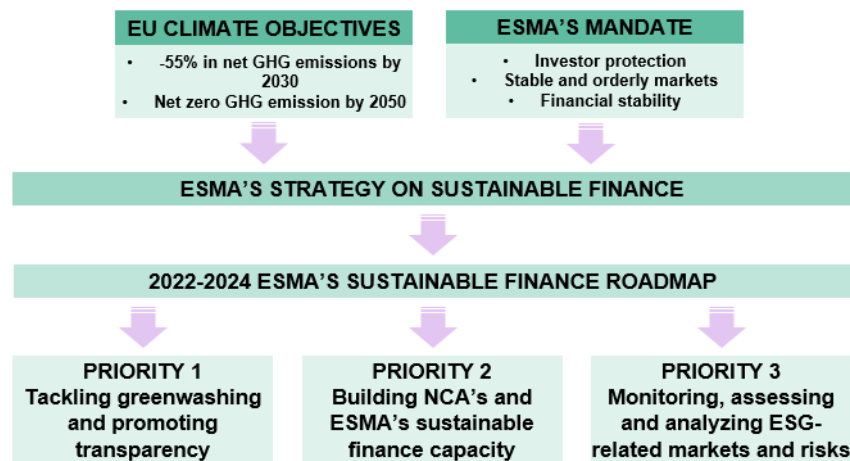
Implementing and overseeing the EU’s sustainable finance norms and markets: a roadmap that strengthens capacities and provides clearer guidance

On February 10, 2022, the European Securities and Markets Authority (ESMA) released its **new Sustainable Finance Roadmap for the period 2022-2024**, which builds on the priorities set out in its 2020 Strategy on Sustainable Finance³. **Priority work areas** include transparency obligations, trends, risks and vulnerabilities (TRV) of sustainable finance, EU taxonomy and convergence of national supervisory practices. The new roadmap clearly presents an **extensive list of actions** (see Annex 1) which will be implemented by the European financial watchdog over the next three years to support the European Union in achieving its climate

commitments (i) and reinforcing investor protection (ii).

The ESMA’s Roadmap is a **prioritization, mainstreaming and coordination tool**. As compared to the actions for 2022 already identified in the *2022 Annual Work Program*⁴, all the actions to be undertaken in 2023 and 2024 are **new**. All those actions and deliverables will be regularly reviewed to consider the latest developments - given the fast-evolving nature of sustainable markets and regulatory frameworks – and the progress in Europe.

Figure 1: Rationale of ESMA's regulatory actions



Source: Authors (Natixis GSH) based on the ESMA’s Sustainable Finance Roadmap

With a **global annual supply close to \$1 trillion milestone**⁵, 2021 was a remarkable year for the Sustainable Bond Market. As the number of new sustainability-themed products is rising, investors’ preferences are shifting to those products⁶. Yet, the current lack of definition for “sustainable” and “green” creates space for abusive marketing practices which exaggerates the sustainability benefits of a product, a service or a strategy. Those

practices could potentially mislead investors (see our September 2021 article on [Green-washing allegations](#) and March 2022 articles on [ADEME’s warning and guidance on carbon neutrality claims](#), and [Net neutrality, an international dilemma](#)). To mitigate the risks and further harm to the market, financial regulators are increasingly stepping-in.

The ESMA’s recent developments are therefore embed in a wider **supervision backlash**

³ ESMA, *Strategy on Sustainable Finance*, February 6th 2020, available [here](#).

⁴ ESMA, *2022 Annual Work Programme*, September 27th 2021, available [here](#).

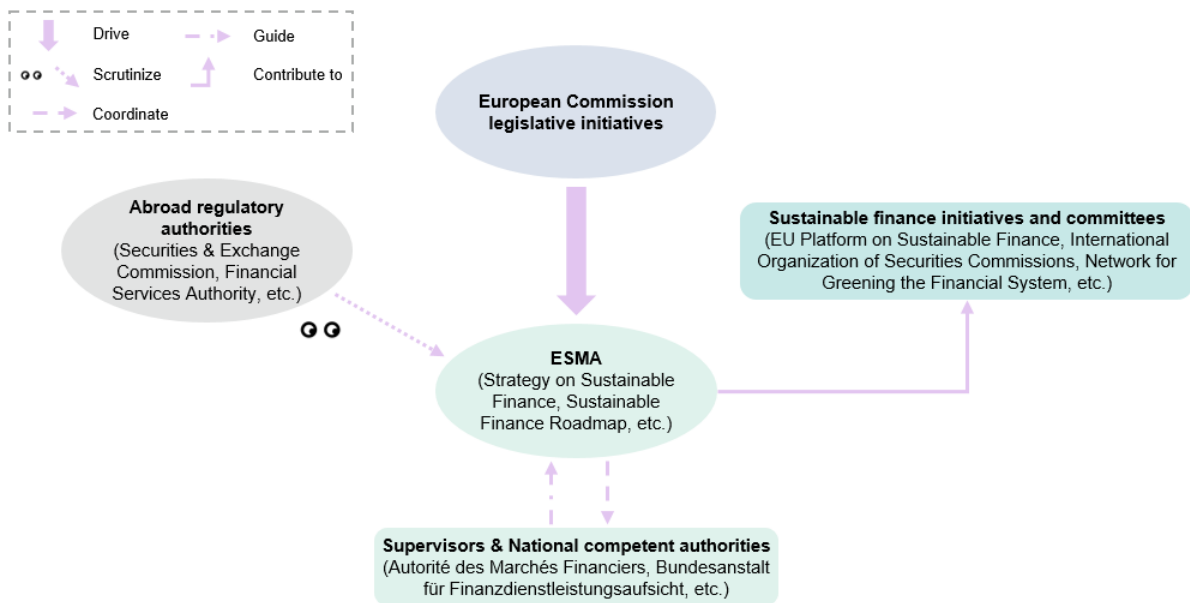
⁵ According to Natixis Green & Sustainable Hub internal data which builds on two main sources: Bloomberg and Bond Radar;

⁶ According to Verena Ross (ESMA Chair), “ESMA prioritizes the fight against greenwashing in its new sustainable finance roadmap”, February 11th 2022, published [here](#).

against greenwashing risks. The American financial regulator – the US Securities and Exchange Commission (SEC) – is getting increasingly active on the topic. For instance, it has issued last January a **Staff Report on Nationally Recognized Statistical Rating Organizations (NRSROs)**⁷ which directly echoes to the ESG data disclosure and management issues raised by ESMA. However, the mainstreaming of ESG considerations in fiscal, monetary, macro-prudential and regulatory packages position the **European Union as a front-runner in**

sustainable finance. The granularity and the consistency of the sustainable strategy and the implementation roadmap proves that the ESMA tends to be relatively more advanced on the topic than its counterparts.

Figure 2: ESMA in the global regulatory ecosystem of sustainable finance



Source: Authors (Natixis GSH)

Greenwashing is the most prominent priority

Based on a **quite exhaustive panorama of the current key challenges in the sustainable finance area** (see Figure 3 below), ESMA's roadmap is **holistic** and **anchored** in the operational reality of ESG market. Given the fast-evolving nature of the market, there is a misalignment between demands and available investing opportunities as legislative and

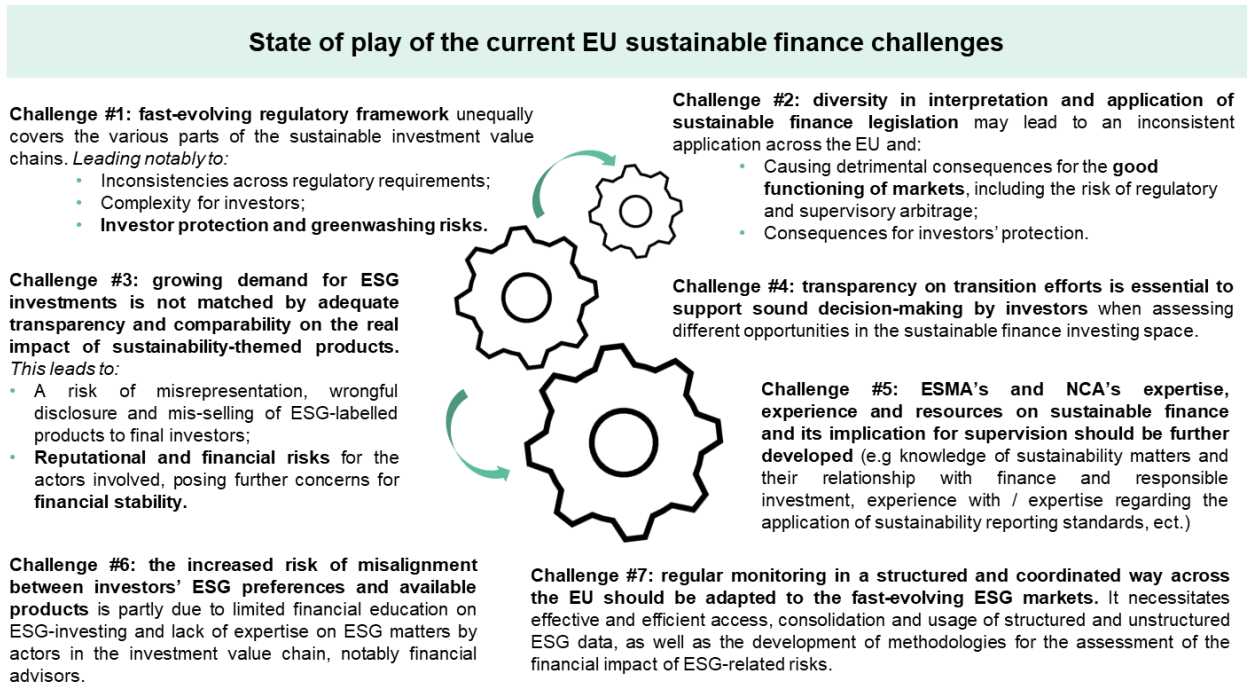
regulatory measures only apply with a **certain time lag**. For this reason, and in the name of its mandate⁸, the ESMA has identified clear and relevant priorities to enhance investors' protection in the EU.

⁷ US SEC, Staff Report on Nationally Recognized Statistical Rating Organizations, January 2022, available [here](#).

⁸ In October 2021, the ESMA was informed by the European Commission that a specific mandate to fulfill the Strategy's action relating to a greenwashing will be addressed to each of the European supervisory authorities

(ESA) that is to say the EBA, EIOPA and ESMA. This mandate will require them notably to define the roles of NCAs (i), identify greenwashing practices in the market (ii) and ensure the effectiveness of EU supervision in addressing greenwashing (iii).

Figure 3: Summary of the challenges and risks identified by the ESMA to set out its priorities

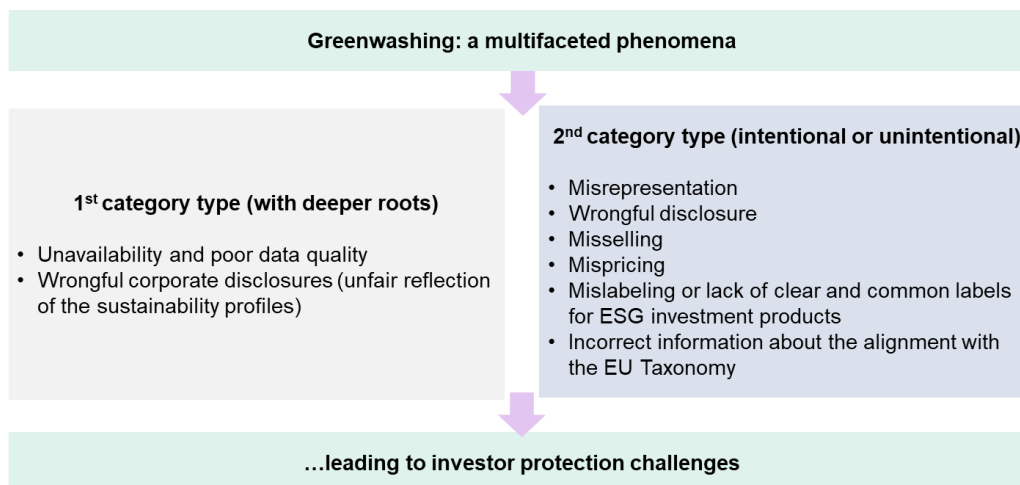


Source: Authors (Natixis GSH) based on the ESMA's Sustainable Finance Roadmap

Tackling greenwashing (i) is definitely the ESMA's top priority as **building National Competent Authorities' and ESMA's capacities (ii)** and the **monitoring, assessing and analyzing of ESG markets and risks (iii)** – are essential to prevent abuses such as misselling, misrepresentation, misinformation, mislabeling or wrongful disclosures. In that regard, one of the most significant contribution of the document may be its attempt to provide a **common understanding of greenwashing** which heretofore was absent. Interestingly, the ESMA distinguishes “**intuitive greenwashing**” from a **wider range of practices** that are

specific to each sector (investment management, investment services, issuers' disclosure and governance, benchmarks, ratings (trading and post-trading and financial innovation). According to the ESMA, greenwashing “*intuitively refers to market practices, both intentional and unintentional, whereby the publicly disclosed sustainability profile of an issuer and the characteristics and/or objectives of a financial instrument or a financial product either by action or omission do not properly reflect the underlying sustainability risks and impacts associated to that issuer, financial instrument or financial product*”.


Figure 4: Greenwashing practices falling into two main categories



Source: Authors (Natixis GSH) based on the ESMA's Sustainable Finance Roadmap

Overview of the risks and the arising challenges identified by the ESMA

For each priority, and sometimes in specific sectors, the ESMA has identified the **main sources of risks and challenges that may have the highest impact on investor protection, orderly markets and financial stability** have been identified:

Priority 1: tackling greenwashing and promoting transparency	
Sectors	Main sources of risks ⁹
Asset management	<ul style="list-style-type: none"> • Mislabeling: the unequal understanding of the type of products which are subjected to Art. 8 and 9 may lead to inconsistent disclosures of fund managers under the SFDR. • Misinformation: the lack of information on the methodologies and/or data limitations in ESG disclosures can also potentially result in greenwashing. • Misrepresentation: there is often an observed mismatch between the emphasis placed on ESG characteristics in the presentation of an investment product and the actual strategy implemented. <p>This is for instance the case with marketing documentation which focuses on exclusion policies while it <i>“do not per se result in selecting a fully sustainable eligible investment universe”</i>. This is also the case when fund managers present an ESG integration strategy without making commitments on the use of ESG considerations in the investment decision making.</p>  <ul style="list-style-type: none"> • This also increases the risk of mispricing and misselling. The risks are even higher for retail investors who have fewer resources to form opinions on products beyond their presentations. This directly echoes to the AMF's position¹⁰ which applies to collective investment schemes managed and distributed in France to non-professional investors.
Investment services	<ul style="list-style-type: none"> • The conduct of business rules (e.g., suitability or product governance): when selling ESG products: information requirements should apply.

⁹ As identified by NCAs' in their preliminary observations and perception of greenwashing risks.

¹⁰ Autorité des Marchés Financiers, "Informations à fournir par les placements collectifs intégrant des approches extra-financières », position-recommandation, March 11th, 2020, available [here](#).

	<ul style="list-style-type: none"> • Investors' education: one should ensure that investors properly understand, for example how ESG factors are integrated in investment strategies.
Corporate disclosure	<ul style="list-style-type: none"> • Incorrect or omitted information in communication (e.g., non-financial statements and prospectuses); • Lack of transparency on the limitations of the underlying methodologies and the data; • Shortcomings arising from the limited harmonization in sustainability reporting practices by the Non-Financial Reporting Directive (NFRD). <p>Poor issuers' disclosure cause issues across the entire investment chain in terms of greenwashing. The lack of sound corporate disclosure catalyzes the reliance on ESG rating and data providers, whose current products is not satisfactory (see box 1), thereby compromising the effectiveness of decision making. Even if the Corporate Sustainability Reporting Directive (CSRD) aims to address disclosure issues, it will only be implemented in 2024 at the earliest. This implies that <i>"investors and supervisors in the EU therefore have to cope with the current sub-optimal status of sustainability reporting still for some years"</i>.</p>
Benchmarks	<ul style="list-style-type: none"> • Inexact disclosures about the impact of ESG indices, for instance when benchmarks only apply exclusions or constructed ESG ratings. • Benchmarks which are very close to those envisaged by legislation, such as the Paris-aligned ones, yet outside the legally recognized categories, can potentially be misleading as they give the impression that they have a strong ESG profile. • The lack of methodology requirements harms comparison in between benchmarks that claim a strong ESG profile.

Priority 2: building NCA's and ESMA's sustainable finance capacity	
Sector	Main challenges
Supervision	<ul style="list-style-type: none"> • The learning curve: supervisory implications of the new sustainable finance as well as the basic of the sustainability transition should be well understood and mainstreamed in NCAs and the ESMA. • Capacity building: the ESMA will facilitate capacity building across NCAs through a platform for sharing and reinforcing the existing expertise. The objective is to ensure that NCAs have both a good handling of cross-cutting legislation and a good understanding of the intersection between sustainability matters and finance. • A common supervisory culture: the novelty of sustainable finance is an opportunity to develop common supervisory standards from the early stages and put in place effective and consistent supervisory practices.

Priority 3: monitoring, assessing and analyzing ESG-related markets and risks			
Main challenges			
<ul style="list-style-type: none"> While the rapid evolution pace of ESG markets creates new investment opportunities, new risks to investor protection, orderly markets and financial stability, are arising. <i>“ESG markets and products, including in particular sustainable investment vehicles and debt instruments such as ESG funds and green bonds, hence need to be subject to close monitoring.”</i> Due to the growing impact of climate change on financial markets, tools such as stress testing and scenario analysis are needed to assess climate transition and physical risks. <i>“Given the central role that carbon prices are expected to play in the transition to a low-carbon economy, the ESMA will also closely monitor potential risks in the EU markets.”</i> Data availability and quality hamper risk monitoring and assessment. Current issues are currently linked to the limited number of companies disclosing ESG-related information, as well as to the insufficient granularity of the disclosures. While data poses issues across all sectors, it is particularly challenging for asset managers, which are facing disclosure requirements in the short to medium term. Poor data quality is due to the multiplicity of reporting standards and to the lack of transparency on the existing limitations of the data and methodologies. 			
Typology of data issues per sector			
Asset management	Corporate disclosure	Benchmarks	Others
<ul style="list-style-type: none"> Data gaps, low quality and lack of transparency¹¹ may lead to misrepresentation, misallocation, mispricing of investments¹²... 	<ul style="list-style-type: none"> Lack of standardization and poor reliability because “companies tend to report selectively against different frameworks (“cherry-picking”); Limited transparency on the methodologies and data sources.¹³ 	<ul style="list-style-type: none"> Lack of data availability as it impairs disclosures; High data costs due to the scarcity of publicly disclosed information and significant market concentrations; Difficulties to monitor market developments (lack of a unique identifier and a centralized register for climate benchmarks). 	<ul style="list-style-type: none"> Limited NCAs’ knowledge of and experience with innovation and green FinTech; Overall, specific work is needed to adapt climate risk assessment concepts and approaches.

Box 1: Estimating the extent of data issues in the eu through consultation

The issue with poor issuer disclosures and poor-quality data directly echoes to the call for evidence launched by the ESMA, on the markets characteristics for the Environmental, Social and Governance (ESG) Rating Providers in the European Union, last February.

ESG ratings are used by a wide variety of investors to take ESG-related risks and opportunities into account. Consequently, ESG ratings are deemed to have an **“increasingly important impact on the operation of capital markets and on the confidence of investors in sustainable finance products”**. Yet, the current unregulated nature of ESG ratings and data assessments potentially compromise investor protection.

For those reason, European authorities (including the European Commission¹⁴) intends to improve their reliability, comparability and transparency. The objective of the ESMA’s consultation is therefor to develop a better understanding (size, structure, resourcing, revenues and product offerings) of the different ESG rating providers.

¹¹ Third-party ESG data or rating providers must be more transparent when it comes to methodologies, limitations and assumptions disclosures.

¹² *“The exact nature and scope of challenges with data availability and quality will become clearer when the implementation of the new disclosure requirements (e.g. SFDR in conjunction with the Taxonomy Regulation).”*

¹³ *“These issues (...) are expected to be addressed through the CSRD and standard-setting initiatives in Europe (European Financial Reporting Advisory Group) and worldwide (International Sustainability Standards Board).”*

¹⁴ As set out in the EC’s Strategy for financing the transition to a sustainable economy, July 6th 2021.

Overview of the categories of actions specific to each priority area

To address the identified challenges and mitigate the associated risks, the ESMA set forth **follow-up categories of actions** and details their development axes:

	Categories of actions	Development axis
Priority 1 <i>Tackling greenwashing and promoting transparency</i>	1. Case discussions among NCAs: establishing a shared understanding of key concepts	<ul style="list-style-type: none"> Identify key features of greenwashing practices and related examples and get to a comprehensive definition of the phenomenon.
	2. Guidance to the market and NCAs on the sustainable finance single rulebook application ¹⁵	<ul style="list-style-type: none"> Provide clarity around legal requirements; Ensure a shared understanding on how to supervise and enforce requirements;  <p>Example: develop guidance on the Level 2 measures under Article 8 of the Taxonomy Regulation.</p>
	3. Common understanding of NCAs' supervisory role development	<ul style="list-style-type: none"> Define to which extent NCAs should assess the degree of greenness of financial products and issuers practices; Detail how NCAs may succeed in carrying out such assessments; Identify necessary data flows and tools¹⁶.
	4. Further complement the EU single rulebook while promoting its consistency with international initiatives	<ul style="list-style-type: none"> Develop comprehensive disclosures under SFDR and Taxonomy Regulation; Clarify definitions and disclosure obligations for sustainability products; Provide input on the disclosure prospectuses should contain in relation to sustainable securities; Help developing high quality standards for corporate sustainability reporting under the CSRD; Ensure EU reporting standards are conducive to investor protection and financial stability and consistent with global sustainability standards; Ensure a complete, clear and consistent set of rules and supervisory and enforcement powers; Contribute to the EC's assessment of the enabling to IFRS to reflect climate risks; Participate in the planned assessment work by the EC to consider possible regulation and supervision of ESG rating providers.
	5. Collection and analysis of empirical evidence regarding the functioning of ESG markets products as well as cases of greenwashing	<ul style="list-style-type: none"> Further, support the work on greenwashing.
Priority 2 <i>Building NCA's and ESMA's sustainable finance capacity</i>	1. Exchange of knowledge and information between NCAs	<ul style="list-style-type: none"> Establish a Sustainable Finance Training Plan between NCAs and ESMA staff; Ensure supervisory implications and basics of the sustainability transition become mainstream in NCAs and the ESMA; Leverage on the expertise of external organizations as well as on existing materials of the ESMA and NCAs.
	2. Regular supervisory and enforcement case discussions in relevant ESMA standing committees	<ul style="list-style-type: none"> Experience sharing on real-life supervisory and enforcement cases, on challenges and on solutions or initiatives developed;

¹⁵ This Single Rulebook provides a single set of harmonized prudential rules which institutions throughout the EU must respect.

¹⁶ In particular, through providing a "gap analysis" on the data the NCAs need and they actually have or can expected as well as how to make the best use of that data.

	and networks, as well as discussions with Consultative Working Groups	<ul style="list-style-type: none"> Build capabilities and share a common culture on these arising topics.
	3. Common supervisory ESG-related standards development	
Priority 3 <i>Monitoring, assessing and analyzing ESG-related markets and risks</i>	1. Single rulebook support and convergence initiatives	<ul style="list-style-type: none"> Collect and study empirical evidence grounded in analytical work monitoring ESG markets and products as well as cases of greenwashing; Analyze the degree of incorporation of the ESMA's guidelines on ESG disclosures; Identify how to capture sustainability risks in financial reporting standards; Support efforts to develop EU-wide labels¹⁷; Analyze disclosure requirements under SFDR Articles 8 and 9; Collect data on the distribution of ESG products; Lead research on the use of existing climate indices and benchmarks.
	2. Climate change scenario analysis and dialogue with other ESAs, the ECB and the European Environment Agency	<ul style="list-style-type: none"> Provide guidance for bottom-up climate change stress tests; Conduct EU-wide climate stress-tests to assess financial sector's resilience; Perform regular climate stress tests of scenario analyzes of entities within the ESMA's remit.
	3. Data availability and quality assessment	<ul style="list-style-type: none"> These issues are considered when amending existing reporting obligations or proposing new ones to reflect the specificity of ESG data. European Single Access Point (ESAP) and the inclusion of the sustainability-related information therein, as well as the Open Finance Framework¹⁸, are therefore relevant.
	4. Exploration of interaction between digital innovation and sustainability	<ul style="list-style-type: none"> Identify use cases of innovative technologies helping channel investments into sustainable goals and assisting transition to a greener economy; Participate in the European Forum of Innovation Facilitators (EFIF)¹⁹; Organize workshops and trainings; Develop RegTech and SupTech solutions to facilitate uses of ESG data by NCAs and the ESMA.
	5. Engagement with relevant international fora to foster synergies and promote globally consistent approaches	<ul style="list-style-type: none"> Participate to IOSCO, FSB and NGFS workstreams working on sustainability-related issues; Aim at both drawing from the external expertise and models and promoting the EU's rulemaking approach.

Despite the **degree of ambition at the priority level** and the **sound understanding of key risks and challenges**, some actions could be more detailed as their implementation steps sound quite hazy and their timeline is uncertain.

Thus, the ESMA clearly intends to **address greenwashing** as well as to **harmonize the European Single Rulebook** - especially by contributing to European Commission's works

on Article 8 product - what is welcomed. From a more global perspective, the ESMA's willingness to **act as a coordinator**, consistently with its missions, is necessary to ensure a harmonized application of the European legislative package through a common understanding of the issues, shared tools, methods and use cases.

¹⁷ Including the EU Green Bond Standard, and in the future ESG labels for financial instruments (e.g., sustainability-linked bonds) and investment products.

¹⁸ See European Commission's *Digital Finance Strategy for the EU*, September 24th 2020 (P. 13-14), available [here](#).

¹⁹ ESMA is the Chair of the EFIF from September 2021 for a one-year period.

With regards to certain issues such as ESG ratings and international cooperation, the **development axis of action** is **less precise** and **lacks of new initiatives**. Despite the emphasis put on ESG ratings and data, no initiative is proposed to overcome the lack of data and the difficulty with ESG data providers. The **intent to revise the Regulatory Technical Standards** is surprising as the final document was painstakingly released in October 2021 and are still not published in the Official Journal of European Union. This may **jeopardize the European legal stability**. On the capture of sustainability risks in financial reporting standards, a **heightened coordination with EBA** would be useful as the institution is currently developing its Implementing Technical Standards on Pillar 3 Disclosures of ESG risks (see our March 2022 article [New EBA reporting requirements on banks' ESG risks](#)).

Last but not least, the **consideration given to digital and sustainable innovation** is ambitious and underlines the importance of new technologies to strengthen the action of regulatory authorities. With regard to ESG data, taking into account the ESAP and the Open Finance Framework demonstrates that the ESMA roadmap is fully integrated into the European regulatory framework, particularly regarding digital finance.

The list of actions and deliverables planned by the ESMA as well as the associated initiative timeline – which intends to take into account the ESMA, NCAs and market participants' learning curve as well as the heterogeneous advancement of the EU legal framework in the different financial sectors – is detailed in **Appendix**.

Appendix

Horizontal				
ESMA's 4 activities	N°	Actions / deliverables	Indicative timeline	Priority
N/A	1	Assess / contribute to consistency of Sustainable Finance legislation across sectors (CSRD, SFDR, Taxonomy Regulation (TR), etc.) and convergence in their application / supervision	2022-23	Greenwashing Monitoring ESG markets
	2	Assess greenwashing practices observed, including key features of this phenomenon	2022-23	Greenwashing
	3	Map and develop a common understanding of NCAs' supervisory role across sectors, notably on greenwashing, and identify legal impediments, if any	2022-23	Greenwashing
	4	Establish the Coordination Network on Sustainability – Consultative Working Group (CNS – CWG)	2022	Building capacities Monitoring ESG markets
	5	Undertake horizontal mapping of ESG data needs / usages for supervisory purposes	2023	Greenwashing Building capacities
	6	Implement the Sustainable Finance Training Plan	2022-24	Building capacities
	7	Contribute, as needed, to EC's efforts to develop EU-wide labels (including EU Green Bond Standard, future ESG labels for instruments (e.g. SLB) and investment products)	2022-24	Greenwashing
	8	Monitor the progress on the fulfilment of the ESMA priorities for sustainable finance as identified in the <i>Sustainable Finance Roadmap</i>	2022-24	Greenwashing Building capacities Monitoring ESG markets
Investment management				
SINGLE RULEBOOK	1	Contribute to EC's planned work on minimum sustainability criteria, or a combination of criteria for financial products that disclose under Article 8 of the SFDR	2022	Greenwashing
	2	Review the regulatory technical standards under SFDR to clarify indicators for climate- and environment related Principal Adverse Impacts (PAI) and PAI on social and employee matters	2022	Greenwashing
	3	Contribute to the EC's work on possible further changes to UCITS Directive and AIFMD to enable financial market participants to systematically consider positive and negative sustainability impacts of their investment decisions	2024	Greenwashing
	4	Flag to the EC any need to amend / clarify / interpret Level 1 and Level 2 such as for SFDR, TR, UCITS Directive or AIFMD	2022-24	-
SUPERVISORY CONVERGENCE	5	Map NCAs' supervisory role, notably on greenwashing, taking into account SF requirements applicable to asset managers	2022-23	Greenwashing Building capacities
	6	Contribute to the horizontal mapping of data needs / usages for supervisory purposes	2023	Greenwashing Building capacities
	7	Deliver training on SFDR (Articles 3, 5, 6 and 8- 11), TR (Articles 5-6 and 8)	2022-24	Building capacities
	8	Organize supervisory case discussions among NCAs on how to identify and effectively address greenwashing	2022-23	Greenwashing Building capacities

	9	Contribute to consistent implementation of new requirements applicable to asset managers (mainly SFDR9 and related provisions from TR, but also AIFMD and UCITS Directive)	2022-24	Greenwashing Building capacities
	10	Survey landscape of EU / national ecolabels	2022-24	Greenwashing Monitoring ESG markets
	11	Undertake a Coordinated Supervisory Action (CSA) on sustainability disclosures	2023-24	Greenwashing Building capacities
RISK ASSESSMENT	12	Analyze disclosures under SFDR Article 8 and 9 in the investment management sector to support supervisory convergence efforts and the identification of greenwashing cases	2022-24	Greenwashing Monitoring ESG markets
	13	Undertake work on climate change scenario analysis	2022-24	Monitoring ESG markets
	14	Assess data availability and quality for asset managers	2022-24	Building capacities Monitoring ESG markets
Investment services				
SINGLE RULEBOOK	1	Contribute to the EC's work on the Markets in Financial Instruments Directive II (MiFID II) changes to enable financial market participants and advisers to systematically consider positive and negative sustainability impacts of the products and investment decisions	2024	-
	2	Flag to the EC any need to amend / clarify / interpret Level 1 and Level 2	2022-24	-
SUPERVISORY CONVERGENCE	3	Map NCAs' supervisory role, notably on greenwashing, taking into account SF requirements related to investment services	2022-23	Greenwashing Building capacities
	4	Contribute to the horizontal mapping of data needs / usages for supervisory purposes	2023	Building capacities
	5	Organize supervisory case discussion among NCAs on how to identify and effectively address greenwashing	2022	Greenwashing Building capacities
	6	Deliver advanced MiFID II training with focus on ESG matters	2022-24	Building capacities
	7	Assess added value / conduct a Coordinated Supervisory Action (CSA) on ESG factors in suitability assessments	2023 or 2024	Greenwashing Building capacities
	8	Contribute to consistent implementation of new requirements: ESG related rules, the ESMA guidance to NCAs and/or to the market, sharing of supervisory cases by NCAs	2022-2024	Greenwashing Building capacities
	9	Explore actions in relation to promoting financial education, incl. through JC work undertaken on financial education	2022-23	Greenwashing Building capacities
RISK ASSESSMENT	10	Discuss and consider implications for the ESMA of the EC's plans to integrate sustainable finance data under the European Data Strategy and reflect, together with the Digital Finance Platform, on possible further actions to enable and encourage innovative solutions using digital technologies to support SMEs and retail investors	2022-24	Monitoring ESG markets
	11	Collect data on the distribution of ESG products	2022-24	Monitoring ESG markets

Issuers' disclosure and governance				
SINGLE RULEBOOK	1	Contribute to the development of EU sustainability reporting standards (including adjustments for SMEs) and to the IOSCO work relating to international sustainability reporting standards	2022	Greenwashing
	2	Contribute to the development of the framework for European Green Bonds in light of the EC's proposal for a Regulation	2023-24	Greenwashing
	3	Provide input to the EC, as needed, on adjustments to the Prospectus Regulation to create minimum requirements for the comparability, transparency and harmonization of information available for green, social and sustainable securities	2022-23	Greenwashing
	4	Contribute as needed to the legislative process on Sustainable Corporate Governance	2022-23	-
	5	Contribute to developing further guidance in the area of stewardship and engagement to ensure acting in concert does not impede collaborative engagement by investors around common sustainability goals	2022-23	Greenwashing
	6	Contribute to the review of the Shareholder Rights Directive II	2022-23	-
	7	Cooperate with EC, EFRAG and IASB on delivering an assessment of whether IFRS appropriately integrate sustainability risks	2022	Greenwashing
	8	Contribute, as needed, to EC work on a label for sustainability-linked bonds	2022-24	Greenwashing
	9	Flag to the EC any need to amend / clarify / interpret Level 1 and Level 2	2022-24	-
SUPERVISORY CONVERGENCE	10	Map NCAs' supervisory role, notably on greenwashing, taking into account NFRD and CSRD and prospectus requirements on listed issuers	2022-23	Greenwashing Building capacities
	11	Contribute to the horizontal mapping of ESG data needs / usages for supervisory purposes	2023	Greenwashing Building capacities
	12	Develop guidance to NCAs / market participants on Taxonomy Regulation Article 8 and on the related Level 2 provisions	2022	Greenwashing
	13	Deliver training on Taxonomy Regulation (Article 8), green bond prospectuses and supervisory briefing on how to tackle the enforcement process relating to non-financial statements	2022-24	Building capacities
	14	Deliver training on Taxonomy Regulation (Article 8), green bond prospectuses and supervisory briefing on how to tackle the enforcement process relating to non-financial statements and disclosure in prospectuses	2022-24	Greenwashing Building capacities
	15	Organize discussion among NCAs on how to examine listed issuers' disclosure of non-financial information and disclosure of sustainability information in prospectuses	2022-24	Building capacities
	16	Update the takeover bids White List	Tbd	-
RISK ASSESSMENT	17	Contribute to the assessment of how financial reporting standards reflect relevant sustainability risks	2022	Greenwashing
	18	Contribute, as needed, to EC's efforts to develop EU-wide labels	2022-24	Greenwashing

DIRECT SUPERVISION	19	Prepare for new supervisory powers over external reviewers providing services to issuers of European green bonds. According to the EC's legislative proposal for an EU GBS, the external reviewers will need to be registered with and supervised by the ESMA	2022-23	Greenwashing
Benchmarks				
SINGLE RULEBOOK	1	Contribute, as needed, to EC's planned work to review the minimum standards for both Climate Transition Benchmarks and Paris-Aligned Benchmarks to ensure that the selection of underlying assets is coherent with the EU Taxonomy	2022	Greenwashing
	2	Contribute, as requested, to planned EC assessment of the possibility to create an ESG Benchmark label	2022	Greenwashing
	3	Flag to the EC any need to amend / clarify / interpret Level 1 and Level 2	2022-24	-
SUPERVISORY CONVERGENCE	4	Map NCAs' supervisory role, notably on greenwashing, taking into account SF requirements in the BMR	2022-23	Greenwashing Building capacities
	5	Contribute to the horizontal mapping of ESG data needs / usages for supervisory purposes	2023	Greenwashing Building capacities
	6	Deliver training on sustainability-linked requirements in the EU BMR	2022-24	Building capacities
	7	Organize supervisory case discussion among NCAs on how to identify and effectively address greenwashing	2022	Greenwashing Building capacities
	8	Organize discussion among NCAs of new climate benchmarks and how to effectively supervise them	2022	Building capacities
	9	Organize discussion among NCAs on availability and quality of data needed by benchmark administrators to fulfil their regulatory obligations	2022-24	Monitoring ESG markets
RISK ASSESSMENT	10	Monitor trends in the use of existing EU climate benchmarks to obtain a picture of current offer and demand	2022-24	Monitoring ESG markets
DIRECT SUPERVISION	11	Build direct supervisory capacities over administrators of critical and third country recognized benchmarks for compliance with relevant ESG rules ²⁰	2022-24	Monitoring ESG markets
Ratings				
SINGLE RULEBOOK	1	Support the EC's in improving the reliability and comparability of ESG ratings, notably through contributing to evidence gathering	2022	Greenwashing

²⁰ Starting from January 2022, ESMA is expected to ensure that the minimum standards of the methodology of climate benchmarks provided by administrators under its supervision and the ESG disclosure requirements for all benchmarks are compliant with the Level 1 and Level 2 texts.

RISK ASSESSMENT	2	Assess ESG disclosures in credit rating agency press releases	2022	-
DIRECT SUPERVISION	3	Conduct assessment of how ESG factors are incorporated by CRAs in their methodologies	2022	-
Trading and post-trading				
RISK ASSESSMENT	1	Undertake work to consider impact of climate change into stress testing for CCPs	2022-24	Monitoring ESG markets
	2	Build analytical tools for monitoring developments in EU carbon markets	2022-24	Monitoring ESG markets
Financial innovation				
SINGLE RULEBOOK	1	Take into account ESG-related data reporting needs when amending or proposing reporting requirements	2022-24	Building capacities Monitoring ESG markets
SUPERVISORY CONVERGENCE	2	Promote effective and consistent supervision around sustainability related innovation through relevant ESMA groups and through the EFIF - the EU forum for hubs and sandboxes in Europe	2022	Building capacities Monitoring ESG markets
	3	Conduct workshops and training on sustainability-related innovation and green FinTech (including relevant RegTech and SupTech solutions)	2022-24	Building capacities Monitoring ESG markets

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