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AFG response to ESAs' Call for Evidence on Greenwasing

AFG

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The AFG federates the asset management industry for 60 years, serving investors and the economy. It is the collective voice of its members, the asset management companies, whether they are entrepreneurs or subsidiaries of banking or insurance groups, French or foreigners. In France, the asset management industry comprises 680 management companies, with €4355 billion under management and 85,000 jobs, including 26,000 jobs in management companies.

The AFG commits to the growth of the asset management industry, brings out solutions that benefit all players in its ecosystem and makes the industry shine and develop in France, Europe and beyond, in the interests of all. The AFG is fully invested to the future.

ESAS COMMON SECTION OF THE CFE

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.

AFG welcomes the ESA's call for evidence on better understanding and defining the term "greenwashing". The growth in both demand and offer of sustainable financial products **combined with a rapidly changing regulatory environment is creating additional and increasing risks of legal uncertainty for the market**, all the financial market participants (FMPs) and investors. This phenomenon is reinforced by the fact that the regulations are not always consistent among each other nor harmonized within the EU. **This creates an unsecured regulatory playing field. Regulatory uncertainty is a real risk for investors and FMPs, that needs to be taken into consideration very seriously as this could have prejudicial and detrimental impacts on investors' trust. That is why we strongly share ESAs approach for a clear and harmonized understanding of greenwashing within the EU and we believe that** it is also essential that the framework complexity is acknowledged in the work to be performed over the coming years, finding ways to continue to improve homogeneity where possible. **The greenwashing definition should encompass all parts of the sustainable finance ecosystem, including issuers, policy-makers and supervisors as they are responsible for defining the market framework.**

First, **it should be reminded that such malpractices are already addressed by many regulations**. Indeed, **the asset management industry is already well regulated with MiFID, UCITS or AIFMD**. Provisions pursuant to these regulations cover marketing communications and enable national competent authorities to act against any miscommunication.

Moreover, **the European Sustainable Finance framework has already been designed to address greenwashing risks** (amongst other objectives) through disclosure requirements and adoption of common standards and criteria.

We believe that the ESAs need to take the existing framework in consideration when providing its guidelines and in this respect, reference should be made to <u>"greenwashing risk"</u> instead of "greenwashing" exclusively.

In our view, with the objective of continuing to promote trust and accountability of all actors in the ecosystem, **the definition of greenwashing risk should not be too extensive** (too broad interpretation should be avoided) **and be limited to the situations where greenwashing risk results from fault (i.e. intentionally) and/or negligence.**

Therefore, there should be a **clear distinction between "intentional"** (voluntary disclosure of inaccurate information) **and "unintentional" greenwashing risk** that cannot be treated in the same way. In particular **sanctions should be envisaged only in case of intentional greenwashing.**

Risks suffered independently of any action (i.e. "passive risks"), should be clearly defined and FMPs should not be liable for information or misalignments that do not depend on their actions. FMPs should, nevertheless, be transparent in their communication with regards methodological limits (non-financial data, sustainable investment definitions, etc.).

A firm should not be subject to "greenwashing allegations" when misalignment is due to circumstances over which the firm has no control, for instance :

- Due to inaccurate ESG data reported by issuers;
- Unclear industry / regulatory definitions leading to differences in interpretation ;
- Or when FMPs rely on non-financial data from other counterparties, etc.).

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 our view, and so as to support an environment which promotes trust and ultimately is supportive of the achievement of the goals of the Paris Agreement, we believe greenwashing risk definition should focus on practices from the different stakeholders which are intentional.

Those which are unintentional (please refer to our comments in response to question A.1) should not be labelled as such, although we believe a number of actions could be undertaken by the EU policy-makers and supervisors in order to reduce the risk of occurrence of those unintentional practices, such as with the clarification of a number of regulatory expectations, as already announced by the European Commission as a key focus for them for the coming months.

It is hence of the foremost importance to clearly define the notions of "intentional" and "unintentional" (please refer to our comments in response to question A.1).

Q 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?

First of all, we observe that this question is biased: all stakeholders in societies could be involved, including standard-setters, if those standards / regulatory rules are not clear enough, or can lead to different interpretations. Secondly, we believe it is first and foremost necessary to clarify who is responsible for what, and how the overall ecosystem can work in conjunction to reduce the risk of unintentional greenwashing in particular, instead of using the different roles mentioned in the CP (trigger / receiver / spreader).

All stakeholders in the society could play a role in greenwashing. Standard-setters, including policy-makers, have a crucial role in that perspective as Sustainable Finance policies continue to grow in number and scope. So far, we have seen instance where released frameworks are still relatively vague and have led to different implementation approaches being used by the market participants and supervisors (ex. SFDR Art 8, SFDR Sustainable investment, etc.). In that context, we highlight the importance of proceeding in the right order, starting by fixing the definitions and expectations, before reviewing greenwashing risk. In our view, the risk related to an unorderly approach to those different issue is a distrust in the industry, leading to hampering the developments of ESG/sustainable products to the reputation risk for financial market participants. Then investors could be deterred from investing in ESG / sustainable products and as a consequence, the objective to re-orient private financing to sustainable investments and ultimately funding the transition to Paris-aligned World would be undermined.

Thus, before examining the three roles of "triggering", "spreading" and "receiving" greenwashing risk, the logical starting question of the Questionnaire should have been to define Greenwashing riks (please refer to our response to question A1).

As a simple illustration, SFDR has been designed to increase transparency on non-financial information. But investors and FMPs has been using it as a "labeling" regulation. With key definitions missing from the regulatory texts (e.g sustainable investments / promote ESG characteristics for Art 8 products), the market (FMPs, national authorities etc.) have been forced to build their own interpretation leading to heterogeneous implementation in the industry.

Long-lasting lack of standardized and of quality data also remains a fundamental challenge, which should also be taken into consideration, even though the CSRD will help to address part of the challenge for EU-based issuers.

Before envisaging any additional legislative initiative relating to greenwashing risk, it seems essential to see how the existing framework can be adapted and in a clearer / more efficient way.

Diverging interpretations at national level due to the lack of clarity of some EU rules should also be avoided as these diverging requirements can create confusion / mis-interpretation in some cases and result in a risk of greenwashing.

In our view, and while some of the concepts and frameworks are still in the works, transparency is a major tool to avoid risk of greenwashing, and could gain in being even more clearly framed in terms of what is expected from market participants : those should continue to provide transparency on their methodologies, ESG scoring, data sources, in a manner which is sufficiently comparable and understandable.

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).

a) Board and senior management's role in sustainability (Topic 1, i) : 3
b) ESG corporate resources and expertise (Topic 1, ii): 2
c) ESG strategy, objectives, characteristics (Topic 2, i): 3
d) Sustainability management policies (Topic 2, ii) : 3
e) ESG qualifications / labels / certificates (Topic 2, iii) : 3
f) Engagement with stakeholders (Topic 2, iv): 4
g) ESG performance to date (including metrics for impact claims) (Topic 3, i): 4
h) Pledges about future ESG performance (ESG targets, including net-zero commitments; transition plan, taxonomy alignment plans) (Topic 3, ii): 4

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

Setting a ranking among the various topics and sub-topics mentioned above is difficult, as the Questionnaire is not proposing ex ante a definition of what greenwashing risk is.

We can only say that probably Topic 3 (related to metrics based on historical data or future targets) is probably more neutral than the two other Topics. Our responses for g) and h) can refer to unintentional as well as intentional risk of greenwashing. The higher score is driven by the fact that those depend on ESG data and methodologies which are still not fully comparable.

It is important to know for instance which communications could be impacted when it's about greenwashing risk because the scope is very large. It needs to be specified, especially when it comes to products.

The notion of greenwashing risk should focus on the identification of typology of documents which might lead to misleading information, in particular Fund Documentation or Issuers' Documentation. There is already a significant set of regulations applicable to misleading information, being for instance at the level of Fund Documentation or Issuers' Documentation. Those documents must be Fair, Transparent, of Good Faith and not Misleading, being on ESG/Sustainability topics or other topics.

In addition, from a prospective perspective (h), regarding issuers and their aspiration/transition to act towards ESG and sustainability should be taken into account, beyond a state of play in the present only. For those, having clear, credible milestone in the short, mid and long term is an efficient way to assess the credibility of the claims made by the market participants, as well as a regular follow-up on progress with comparable data reported regularly. We believe the CSRD will be a useful tool in providing more detailed information on transition plans.

Then the principal need is for more clarification on regulations – regarding the level of transparency for example – which will provide consumers with a better understanding, as well as various stakeholders to be protected against the risk of undue accusation of greenwashing.

QA.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).

a) Board and senior management's role in sustainability (Topic 1, i): 2
b) ESG corporate resources and expertise (Topic 1, ii): 3
c) ESG strategy, objectives, characteristics (Topic 2, i): 4
d) Sustainability management policies (Topic 2, ii): 4
e) ESG qualifications / labels / certificates (Topic 2, iii) : 3
f) Engagement with stakeholders (Topic 2, iv): 3
g) ESG performance to date (including metrics for impact claims) (Topic 3, i): 4
h) Pledges about future ESG performance (ESG targets, including net-zero commitments; transition plan, taxonomy alignment plans) (Topic 3, ii): 4

QA.5.1: Please specify the underlying drivers of greenwashing in relation to the topics you scored higher.

As already said above with the other request of ranking, setting a ranking among the various topics and sub-topics mentioned above is difficult, as the questionnaire is not proposing ex-ante a definition of what greenwashing risk is.

The proposed quantification highlighted above is based on the inputs which may be the most likely used by a stakeholder to assess the performance / commitment of a company / financial market participants when it comes to ESG.

QA.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?

No.

QA.7: Please indicate below if you have any additional comments regarding the relevance of the above topics on which sustainability-related claims are made in the context of a given sector or entity.

We have also identified a risk of greenwashing when it comes to entities' sustainable allegations. An entity may focus its' communication strategy on "sustainable allegations" only, while it also has other "non-sustainable" activities.

We believe that transparency is essential when it comes to entities' allegations. An entity may communicate on its commitments and its "sustainable activities" as long as it is clear it has other activities that may not be "sustainable".

To mitigate this risk of miscommunication, France has adopted a law ("article 29" of the "Loi Energie Climat", "29 LEC" for short) **requiring financial institutions to comply with some reporting obligations.** The objective was to build on existing requirements (Article 173 which require to publish information relative to climate and ESG) and European law and notably the SFDR.

The 29LEC goes further than the SFDR as it requires, notably: information on the strategy for alignment with the international climate change limitation objectives of the Paris Agreement and information on the strategy for alignment with long-term biodiversity goals. **Such transparency requirements can help investors understand where an entity stands relatively to its sustainable claims**.

QA.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.

a. Selective disclosure or hidden trade-off (cherry-picking positive information and/or omitting relevant negative information): 3
b. Empty claims (exaggerated claims and/or failure to deliver on such claims): 2

c. Omission or lack of disclosure: 3
d. Vagueness or ambiguity or lack of clarity: 2
e. Inconsistency across various disclosures and communications (marketing, regulatory, website, etc.): 2
f. Lack of fair and meaningful comparisons, thresholds, scenarios and/or underlying assumptions: 2
g. No proof (unsubstantiated): 2
h. Misleading /Suggestive non-textual imagery and sounds (including the use of specific colours like green): 2
i. Irrelevance: 2
j. Outdated information: 2
k. Misleading / suggestive use of ESG-related terminology (naming-related greenwashing): 3
l. Outright lie (falsehood): 3

QA.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):

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 information documents, pension benefit statements, etc.) and/or any mandatory disclosures: 2
b) Ratings (ESG ratings and/or other ESG data products): 2
c) Benchmarks: 2
d) Labels: 2
e) Product information (including internal classifications, and internal target market, product testing and distribution strategy related documentation): 4
f) Intermediary/advice information: 3
g) Marketing materials (including website, social media, advertising): 4
h) Voluntary reporting, falling outside previous categories as reported on a voluntary basis: 4
i) Other (please specify).

QA.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):

a. Product manufacturing: 2
b. Product delivery – marketing: advertisements, non-regulatory information: 3
c. Product delivery – regulatory disclosure: 1
d. Product delivery – distribution channels: 1
e. Product delivery – sales: information asymmetry (this includes under or over emphasisof certain product features): 3
f. Product delivery – sales: misselling due to misleading information/disclosure: 3
g. Product delivery – sales: misselling due to unsuitable product: 3
h. Product delivery – sales: incentives at point of sale: 3
i. Product management – product monitoring, product review, ongoing productdisclosure: 2
j. Business model at entity level – value chain, group structure, innovation/digitalization,outsourcing: 1
k. Business management at entity level – culture, governance arrangements, systems andprocesses: 3

QA.10.1: Please indicate below if you have any comments on the above question.

A central issue is linked to the name of financial products: future EU regulation should fix specific rules about the use of particular terms such as "impact", "green", "planet", "social". Using this kind of terms should impose strict disclosure standards about the extra financial impact/performance of financial products. In France, the French AMF has issued guidelines on information to be provided by collective investment schemes incorporating non-financial approaches to retail investors (AMF-DOC-2020-03). The information sent to investors regarding the consideration of non-financial characteristics should "be proportionate to the actual consideration of these factors" and should be "measurable".

ESMA has published a consultation on the subject. While we do not completely agree with the option proposed by ESMA (use of thresholds), we believe that guidelines on funds' denomination may help in reducing the greenwashing risk. As a general comment, we believe that such guidelines should not only apply to funds (UCITS/AIF) and should apply to all financial products. The ESAs should work together on the subject.

For our detailed comments on the matter, please refer to the AFG response to the ESMA consultation.

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

No.

ESMA SECTION OF THE CFE

QF.1: Which of the elements listed below, do you consider to be the main driver(s) of greenwashing risks? Please provide a short explanation of your answer:

a) New / innovative ESG products in rapidly evolving ESG markets
b) Entry of new participants such as issuers of ESG products, ESG rating or data providers, etc.
c) Lack of ESG expertise and skills of market participants
d) A rapidly evolving regulatory framework
e) Differing interpretations of the regulatory framework
f) Desire to exaggerate the sustainability profile at entity/product or service level
g) Competition (wanting to be better than a comparable issuer/product)
h) Lack of reliable data
i) Mismatch between retail investors' expectations and market participants' ability to deliver real-world impact
j) Other : Financial literacy

For d) and e):

As previously explained in question A.1., **we fully support the efforts of European co-legislators towards financing a more sustainable economy and in particular legislative and regulatory initiatives to ensure greater transparency with regard to sustainable investments and sustainability risks**. The Sustainable Finance framework (SFDR, Taxonomy, CSRD,…) has **been designed to foster investments towards a "green" (and sustainable") economy and provide further transparency on the matter.**

While the objectives are clear and well recognized, some provisions are still unclear for market participants.

Indeed, **some inconsistencies exist between the different pieces of the Sustainable Finance framework** (e.g. different DNSH for the Taxonomy and SFDR, MIF ESG preferences and SFDR). Moreover, **some definitions are still not clear** (e.g. "sustainable investment" definition or "promotion" definition) **and have led market participants to have their own understanding of the rules**.

Finally, multiple communications from the authorities interpreting the regulation (Q&As, clarifications,…) after the market participants having been forced to follow their own interpretation can lead to different understandings. Such misalignment should not be considered as "a risk of greenwashing".

We believe that a clear and stable framework will significantly help in addressing greenwashing risk.

For h):

The Sustainable Finance regulations are interconnected by design and lead to several inconsistencies with regards the sequencing of their entry into application. **Such issues result in data** unavailability **and impede a robust implementation of these regulations.**

Indeed, **pending the CSRD implementation, non-financial data is not always available and harmonized**. **Financial market participants have to rely on data providers, that are not regulated, to fulfil their own regulatory requirements.**

While we believe that the reliability of sustainable data will tend to improve in the coming years (implementation of the CSRD and upcoming ESAP), **we also believe that data providers using a lot of estimations should be properly regulated to increase such reliability.**

The EU should create a holistic regulatory framework for data providers (for both financial and non-financial information) that will notably address the need for further transparency from data providers.

For i):

Understanding finance can be complex for retail investors, and the notion of sustainable investment may add to the challenge. The perception of what is "sustainable" in a financial product can vary significantly among investors.

Moreover, **the new concepts introduced in the sustainable finance framework may be difficult to grasp for retail investors**: "sustainable investment as per SFDR", "taxonomy aligned investment", "take into consideration PAI".

Retail investors tend to have **high expectations when it comes to sustainability characteristics while the market is still developing** (e.g. very few products with a "high" level of taxonomy alignment).

To avoid frustration and possible mismatches between retail investors' expectations and products' availability, we believe that "sustainable finance education" is essential.

Finally, **it is also important to give to retail investors an overview of the market**: explain where the market is in terms of taxonomy alignment and sustainable investment; and what kind of products are available. Indeed, it should be reminded that our economy is in transition and expectations from investors, the society and regulators should be aligned with the evolution of our economy. In this regard, **we believe that investing in transition is essential** to increase the reorientation of capital towards sustainable finance (Objective of the EU Green Deal and UN SDG). It is hence essential to explain how investing in activities in transition can meet "sustainable" objectives.

For j):

This one is linked to the previous one. And financial literacy is key in the ESG space as it will allow to have expectations correlated with the development/maturity level of sustainable finance.

QF.2: As stated before, this CfE uses the term greenwashing broadly, covering sustainability-related claims relating to all aspects of the ESG spectrum. While the sustainable finance legislation gives more prominence to environmental aspects, we would like to understand which aspects of the ESG spectrum may be more prone to greenwashing risks, at this stage? Please rate the three aspects below from 1 to 5 (where 1 = very low occurrence ; 2 = low occurrence ; 3 = medium occurrence ; 4 = high occurrence ; 5 = very high occurrence).

a) A central Environmental aspects 4
b) Social aspects 4
c) Governance aspects 2

QF.3: Greenwashing may apply to claims at both entity- and/or product-level (including service- related). Based on your experience, we would like to understand which level may be more prone to greenwashing risks in various sectors. For each of the market segments listed below,, please select one of the four options, then please provide a short explanation.

Greenwashing practices are ...	1) more likely at entity-level	2) more likely at product/service -level	3) equally likely at entity and product/service levels
Investment managers			X
Investment firms			X
Issuers	X		
Benchmarks administrators		X	
Other			

QF.5: With regards to product-level sustainability-related claims, we want to better understand which asset classes, financial products categories may be more prone to greenwashing risks. For each of the asset classes and/or financial products regarding which your expertise is relevant, please provide a score from 1 to 5 (where 1 = very low occurrence ; 2 = low occurrence ; 3 = medium occurrence ; 4 = high occurrence ; 5 = very high occurrence of greenwashing).

a) Equity (common shares, other equity instruments)
b) Fixed income (green Bonds, Social Bonds and other Use of Proceeds (UoP) bonds, Sustainability-linked bonds, Common corporate bonds, Common government bonds or other fixed income securities)
c) Derivatives (ESG derivatives including those with an ESG underlying and with an ESG performance target, other derivatives)
d) Alternative investments (infrastructure, private equity)
e) Funds: UCITS funds and AIFs (excluding ETFs), ETFs, Private Equity funds or other funds (e.g. Hedge Funds, ELTIFs);
f) Benchmarks: Paris-aligned (PAB), Climate transitioning (CTB) Climate Benchmarks, other climate benchmarks or ESG benchmarks
g) Other MiFID II instruments (e.g. securitisations)
h) Other products/services (please specify)

We believe that a quantitative and automated treatment of this questions is not relevant.

The underlying risk of greenwashing is directly linked to the availability of the information. Unavailable data or methodologies may lead to a higher risk of greenwashing.

There may be a "potential" risk of greenwashing where an entity “self-certifies” its product as “greenbond”(social bond, sustainability bonds…) without being in line with market standards (e.g. EU GBS, Green Bonds principles, ICMA principles…).

QF.7: Does your organisation perceive greenwashing as a potential source of risk?

a) Yes, and we have started developing a structured approach to tackling the issue
b) Yes, but we have not yet developed a structured approach to the issue
c) No
d) Other, if so specify

AFG published several guides, best practices and recommendations to help French Asset Managers communicate on sustainable related topics and to comply with the EU and French Regulations (several guide on SFDR, on the 29LEC, coal, fossil fuels…).

QF.7: If you answered a) or b) to Q7: what category of related risks do you anticipate could result from greenwashing issues?

a) Financial risks
b) Reputational risks
c) Legal risks
d) Other, if so specify

QF.7.2: If you answered a) or b) to Q7: what types of potential negative impacts do you anticipate as a result of greenwashing issues?

It may have several impacts:

- Reduce investments on financial products perceived as "ESG" or "sustainable";
- Negative press campaign (articles,...);
- Employees resignation;
- Loss of activities.

QF.7.3: If you answered a) to Q7: What safeguards / risks mitigants have you (or are **you** planning to) put in place to address greenwashing risks?

As an association, AFG has not any safeguards or risk mitigants. Nevertheless, French asset managers have introduced the greenwashing risk into their risk mapping and have adapted their risk management system.

QF.8: Do you know of any industry initiative that could be instrumental in tackling greenwashing?

In France, several industry initiatives can be of use to tackle greenwashing risks:

- As previously said in response to question F7, as an association, AFG has published several guides, recommendations, and best practices to assist French Asset Managers in that field.
- French financial associations have created and supported "The Sustainable Finance Observatory (Observatoire de la Finance Durable). The Sustainable Finance Observatory seeks to enhance understanding, tracking and evaluation of the financial sector's gradual transformation by observers and stakeholders.

In France, some initiative to tackle greenwashing risks are led by the national competent authority (the French AMF). The French AMF has issued guidelines on information to be provided by collective investment schemes incorporating non-financial approaches to retail investors(AMF-DOC-2020-03). The information sent to investors regarding the consideration of non-financial characteristics should "be proportionate to the actual consideration of these factors" and should be "measurable".

In the EU, several countries have developed labels with detailed methodologies.

QF.9: Which do you think are the market mechanisms that can help mitigate greenwashing risks (e.g. reputational issues) and how do you believe supervisors can help in this respect?

We do not understand the question.

QF.10: What could policymakers and regulators do more to alleviate greenwashing risks?

As previously said, we believe that **policymakers and regulators need to have a clear, common and stable framework to reduce greenwashing risks** (common definitions and interpretations):

- In case where definitions are provided, authorities should give **clear guidance to avoid multiple interpretations;**
- We would like to reiterate the need for a **common interpretation by national supervisors**. Such interpretation consistency is essential **to ensure a level playing field across Europe**.

Authorities should also work to **ensure a consistent global "sustainable finance" framework and avoid mismatches between EU regulations** (for example: alignment between SFDR requirements and the future CSRD reporting standards).

Regarding the challenges regarding data availability and quality, **the authorities should establish clear rules about the use of estimates.** Moreover, we believe that to increase data reliability and transparency, **the EU should create a holistic regulatory framework for data and rating providers**.

We also believe that the greenwashing risk could be reduced if there were less "self-reporting" and more audited data.

Finally, as already explained in answer to question F.1., it should be reminded that our economy is in transition and expectations from investors, the society and regulators should be aligned with the evolution of our economy. In this regard, **we believe that investing in transition is essential** to increase the reorientation of capital towards sustainable finance. There is a lack of recognition of "transition" in the current framework and, as a result, a misperception of greenwashing. **It is hence essential to explain how investing in activities in transition can meet "sustainable" objectives.**

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