

NFU Consultation reply EIOPA public consultation on the Opinion on sustainability claims and greenwashing in the insurance and pensions sectors

We, the Nordic Financial Unions (NFU), representing seven trade unions across the Nordic countries' bank, finance, and insurance sectors, welcome the opportunity to comment on the European Insurance and Occupational Pensions Authority's (EIOPA) open consultation on the Opinion on sustainability claims and greenwashing in the insurance and pensions sectors. We fully recognize the pivotal role that sustainability claims play in guiding consumer and investor decisions, and it is with this understanding that we express our concern over the potential for these claims to mislead, thereby contributing to greenwashing practices that can erode trust in our financial sector and impede progress toward genuine sustainability objectives.

NFUs view aligns with the draft opinion's characterization of sustainability claims as encompassing a broad range of assertions about the sustainability profile of an entity or product, communicated through various mediums. We concur that the influence of these claims, particularly when included in product names, is significant in shaping consumer decisions, thereby emphasizing their critical role in marketing and customer engagement strategies.

Additionally, we acknowledge the observations in EIOPA's Progress Report on Greenwashing and share the concern over the current definitions of greenwashing within EU regulations. We believe that while existing frameworks like the Sustainable Finance Disclosure Regulation (SFDR) and the Taxonomy Regulation provide a foundational layer for addressing misleading claims, there is a broader context that requires attention to ensure the integrity of sustainability claims across the lifecycle of products and entities.

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As stakeholders deeply invested in the sustainability of the financial sector, we are poised to offer insights and suggestions that build upon the regulatory groundwork laid by EIOPA and other relevant EU directives. Our response is rooted in a commitment to enhancing the regulatory landscape to better prevent greenwashing, promote genuine sustainability practices, and ensure that the financial sector prospers in a way that is sustainable for employees, companies, consumers, and societies.

Question 1: Do you agree with the understanding of what sustainability claims are and how they can be mis-leading?

Our collective stance emphasizes the critical importance of sustainability, transparency, and integrity within the financial sector, especially concerning insurance and pension products. We recognize the crucial role that sustainability claims play in guiding consumer and investor decisions in the insurance and pensions sectors. However, we are equally aware of the potential for such claims to mislead, contributing to greenwashing practices that undermine trust in the financial sector and hinder progress towards genuine sustainability goals.

We share the draft opinion's understanding that sustainability claims refer to any assertions related to the sustainability profile of an entity or product. These can be communicated through various mediums, including texts, visuals, marketing materials, social media, and even product names. They encompass a wide array of statements and actions, ranging from regulatory disclosures (like those mandated by the SFDR and Taxonomy Regulation) to non-regulatory expressions such as labels, certificates, and ratings. We agree that the use of sustainability-related terms, especially in product names, can significantly influence consumer decisions, highlighting the importance of these claims in marketing and customer engagement.¹

¹ European Insurance and Occupational Pensions Authority (EIOPA). "EIOPA's Progress Report on Greenwashing - Advice to the European Commission," p. 4.
<https://www.eiopa.europa.eu/publications/eiopas-progress-report-greenwashing-advice->

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In addition, we emphasize the findings of EIOPA's Progress Report on Greenwashing regarding the current definitions of greenwashing within EU regulations. These regulations include the Taxonomy Regulation, the SFDR Delegated Regulation, MiFID II, and the IDD Delegated Regulations. While they mandate that marketing communications must be consistent with disclosed information and all information provided to customers should be fair, clear, and non-misleading, the report deems these definitions inadequate because they primarily target financial products. This approach overlooks broader stages of the product lifecycle and entity-level claims. Moreover, the reliance on basic environmental standards may mislead if these are presented as meeting superior standards. There is also a lack of connection to competitive advantage and a comprehensive inclusion of all environmental, social, and governance (ESG).

Question 2: Stakeholders views are sought where they believe that other requirements – beyond those already identified by EIOPA in this Opinion – already cover sustainability claims.

As Nordic Financial Unions, we agree with the broad categorization of sustainability claims identified and support efforts to address misleading claims and greenwashing practices. However, we believe that beyond the current regulatory frameworks, such as the Sustainable Finance Disclosure Regulation (SFDR) and the Taxonomy Regulation, additional aspects could further support the integrity of sustainability claims in our sectors. We emphasize that greenwashing can manifest at various stages of the lifecycle, including at both entity and product levels, thereby influencing investment strategies, shareholder engagement, underwriting activities, and Net Zero commitments.

In our view, an effective and harmonized supervision of sustainability claims across Europe should, to a greater extent than today, encourage social dialogue

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and strengthen verification processes to limit the risk of greenwashing in the insurance and occupational pensions sectors.

Firstly, social dialogue between employers, workers, and regulators on sustainability issues can lead to a more holistic understanding of sustainability challenges and foster collective solutions that benefit all stakeholders. Involving employees in the development, review, and monitoring of sustainability claims adds an extra layer of scrutiny and authenticity. Employees in the finance and insurance sectors, often on the front lines and tasked with selling and managing products with sustainability claims, play a crucial role in the implementation of sustainability initiatives. Their firsthand insights and experiences are invaluable for identifying discrepancies between claims and actual practices.

Secondly, while current frameworks primarily focus on disclosure and transparency from market and consumer protection perspectives, these are critical but insufficient. There is a pressing need to strengthen mechanisms for verifying the accuracy of sustainability claims. This could involve setting clearer standards for what constitutes a valid sustainability claim and establishing more robust verification processes, potentially including third-party audits or certifications standardized across the EU. Implementing EU-wide standards or certifications for sustainability claims in the insurance and pensions sectors, akin to established eco-labels for products, would aid consumers and stakeholders in distinguishing between substantiated and unsubstantiated claims.

Question 3: Do you agree with Principle 1 and 2 and whether these principles help ensuring that sustainability claims are accurate?

In general, it should be noted that addressing greenwashing is complex, and the accuracy of sustainability claims is one factor among many. Nevertheless, we believe that Principles 1 and 2 are relevant in addressing greenwashing as they emphasize the need for providers to make sustainability claims that are accurate, precise, and consistently aligned with their business models, products, and strategies. Furthermore, it is essential that these claims are regularly reviewed, updated, and communicated transparently to prevent greenwashing and maintain consumer trust.

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We stress the importance of harmonized transparency rules, which complement and strengthen the objectives of Principle 2. By advocating for standardized disclosure and high-quality data, we support the principle's goal of maintaining current and transparent sustainability claims. This synergy is crucial for upholding the values of transparency and a level playing field in the single market. It ensures that consumers and investors have access to reliable and up-to-date information, crucial for sustainability claims to reflect actual practices, focus on ethics, and comply with adequate regulation and consumer protection.

Both principles align with stakeholder concerns about greenwashing, addressing the need for dynamic and rigorous sustainability claims. While theoretically effective, we find that their impact depends on implementation, enforcement, and the ability to adapt to the evolving nature of sustainability claims. Gaps include the need for standardized sustainability definitions and improved regulatory capacity.² Enhancing consumer financial literacy to recognize greenwashing and improving data quality are also crucial. Promoting skills development and awareness initiatives for employees in the insurance and pensions sectors is essential for understanding sustainability claims, greenwashing risks, and the regulatory framework governing these claims.³ Educated and informed employees are better equipped to uphold the principles of accuracy and timeliness in managing sustainability claims.

Question 4: Do you agree with Principle 3? In particular do you agree that due diligence and proportionality should be taken into account when determining if a sustainability claim is substantiated with clear reasoning and facts?

Our stance towards due diligence and proportionality is generally positive, recognizing their significance in affirming the credibility of sustainability claims.⁴ These principles play a crucial role in maintaining market credibility. The

² European Insurance and Occupational Pensions Authority (EIOPA). "EIOPA's Progress Report on Greenwashing - Advice to the European Commission," p. 10.

³ European Insurance and Occupational Pensions Authority (EIOPA). "EIOPA's Progress Report on Greenwashing - Advice to the European Commission," p. 47.

⁴ European Insurance and Occupational Pensions Authority (EIOPA). "EIOPA's Progress Report on Greenwashing - Advice to the European Commission," p. 10.

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importance of due diligence and proportionality becomes increasingly apparent when considering essential criteria for claims, long-term sustainability objectives, the use of ESG ratings, and product oversight and governance (POG).⁵ By ensuring that these claims are accurate, verifiable, and contextually relevant, we can maintain their significance. However, achieving this requires adopting a balanced approach. This approach should effectively substantiate claims without imposing undue burdens, thereby avoiding regulatory overlap and redundancy.

Question 5: Do you agree with Principle 4 and the need to ensure that sustainability claims made by providers are understandable and accessible for the targeted stakeholders?

We unequivocally agree with Principle 4, which emphasizes the accessibility and understandability of sustainability claims. The complexity and jargon often associated with sustainability information can obscure its meaning, limiting targeted stakeholders' ability to make informed decisions. This principle aligns with our holistic approach to sustainability, aiming for collective solutions that benefit all stakeholders. We agree with the importance of ensuring that employees, consumers, and the broader community can easily access and understand sustainability-related information. Transparency is crucial for building trust in the financial sector's sustainability efforts and empowering individuals to make informed decisions.

Question 6: What do you think would be the costs and the benefits of this opinion?

The draft opinion by EIOPA is a step in the right direction towards enhancing transparency and accountability within the insurance and pensions sectors. The benefits of implementing such an opinion are manifold. For employees, a more sustainable business model aligns with the growing demand for ethical

⁵ European Insurance and Occupational Pensions Authority (EIOPA). "Consultation Paper on the Opinion on Sustainability Claims and Greenwashing in the Insurance and Pensions Sectors." p. 14-16. https://www.eiopa.europa.eu/consultations/consultation-opinion-sustainability-claims-and-greenwashing-insurance-and-pensions-sectors_en

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employment practices and companies that prioritize long-term environmental goals. From a consumer protection viewpoint, accurate sustainability claims prevent consumers from being misled by greenwashing, thus enabling more informed decision-making aligned with their sustainability preferences. Furthermore, establishing a common approach to supervise sustainability claims across the EU will promote increased trust in the financial sector, contributing to a more stable financial ecosystem.

However, there are potential costs associated with the implementation of the draft opinion, particularly in the short term. These costs include the financial burden on providers to adapt their marketing practices, the need for ongoing skills development for employees to grasp and implement the new guidelines, and the potential administrative load on regulatory bodies to monitor compliance. Additionally, the complexity of the regulatory framework may pose challenges for smaller institutions in adapting to these changes. We believe that with careful consideration of the potential costs and by incorporating suggestions such as gradual implementation and stakeholder engagement, the opinion can serve the interests of consumers, employees, and the broader financial ecosystem. Ultimately, enhancing transparency and preventing greenwashing will contribute to a more sustainable and trustworthy financial sector, aligning with our unions' commitment to ethical and responsible business practices.