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Greenwashing: Research Suggests European Banks “not doing enough to address ... climate change and biodiversity loss”

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The UK-based responsible investing non-profit ShareAction **announced** the publication of a **report** into the biodiversity and climate strategies of the 25 largest European banks, measured by total assets. The report concludes that even though the surveyed banks are taking steps to expand their green finance offerings, they are “resisting implementing ambitious climate policies” and are generally unprepared for the risks posed by biodiversity loss. The report ranked each bank’s performance on metrics measuring the bank’s approach to climate and biodiversity governance, strategy, and engagement and collaboration.

All but one of the surveyed banks have implemented green finance strategies, but only 12 of the banks indicated that a portion of their green finance transactions were audited externally through the entire lifecycle of the financing. In an accompanying **press release**, ShareAction stated that current green finance strategies leave too much room for greenwashing and a lack of transparency is leading to “underreporting of banks’ support for high-carbon sectors.” The report was also critical of the surveyed banks’ fossil fuel policies as being “full of loopholes,” which allowed continued investment into some fossil fuel-related projects.

Taking The Temperature: As we have frequently discussed, financial institutions addressing climate change and other ESG issues operate in a particularly challenging environment, confronted with a charged political climate on the pro- and anti-ESG sides of the discussion as well as a lack of consensus on many aspects of banks’ reporting and governance regarding sustainability issues. The ShareAction report reflects these cross-currents, observing that financial institutions in fact have responded to investor demand in offering sustainable finance products and by implementing policies to govern their own investment decisions and strategies. Given the still-evolving regulatory guidance within and across jurisdictions, it is not surprising that there is meaningful variation in how financial institutions are approaching sustainability issues. The notion of external auditing of green finance transactions to assure compliance with

sustainability requirements is particularly controversial, although we expect it to gain greater acceptance going forward with the associated costs imbedded in the deal structure. The SEC's proposed climate disclosure rule, for instance, contemplates requiring companies that are subject to the rules to obtain attestations regarding certain disclosures, such as Scope 1 and Scope 2 greenhouse gas emissions. The continued evolution of global regulatory guidance should reduce the divergence cited by ShareAction and benefit financial institutions by reducing potential challenges over greenwashing and other sustainability-related statements.