ESMA Publishes Four Principles for Clear, Fair and Not Misleading Sustainability-Related Claims

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On 1 July 2025, the European Securities and Markets Authority ("**ESMA**") published a thematic note on making clear, fair and not misleading sustainability-related claims, to address greenwashing risks (the "**Thematic Note**").

In the Thematic Note, ESMA sets out that sustainability information is increasingly important in investor choice, and, due to its complex nature, financial market participants making sustainability-related claims may risk making claims that are misinterpreted with investors misled, whether intentional or not. Although there are many references to retail investors in the Thematic Note, it is not exclusively for this sector, and private market fund managers are recommended to review and consider ESMA's four principles (summarised below) and the accompanying guidance, particularly given ESMA's repeated calls for closer regulatory supervision across the asset management sector on sustainability claims.

To support with making sustainability-related claims, ESMA has published four principles for financial market participants to consider. The principles are not a new disclosure regime, but guidance, and cover the following:

1. **Accurate**

- There should be fair and accurate claims of the entity's sustainability profile and/or the financial products'.
- There should not be exaggeration, and there should be a consistent approach in the claims made.
- Claims should be precise and consider all relevant positive and negative aspects. Omission and cherry-picking should be avoided.
- Vagueness or excessive references to irrelevant or non-binding should also be avoided.

- ESG terminology and non-textual imagery or sounds should be consistent with the sustainability profile of the entity or product.

2. **Accessible**

- Sustainability claims should be based on information that is easy to access (including for institutional investors) and at an appropriate level of detail so they are understandable.
- Claims should not be oversimplistic but should also be understandable.
- If more information is needed, then further substantiation of sustainability claims can be presented in layers to the reader.

2. **Substantiated**

- Sustainability claims should be substantiated with clear and credible reasoning, facts and processes.
- Substantiation should be based on methodologies, including comparisons thresholds or underlying assumptions that are fair, proportionate and meaningful.
- Limitations of information, data and metrics should be made available.
- If comparisons are used it should be clear if they are “like for like”.

4. **Up to date**

- Sustainability claims should be based on information that is up to date with any material change to be disclosed in a timely manner.
- The date and perimeter of the analysis should be considered for disclosure.

Accompanying the four principles are a range of Do’s and Don’ts in the Thematic Note, with good and poor practice examples on claims on general ESG credentials, industry initiatives, labels and awards and comparisons to peers.

There is undoubtedly an overlap with the UK FCA’s anti-greenwashing guide, and asset managers with a European footprint are recommended to check that many of these commonsense approaches in the four principles are followed, particularly as the general messaging from ESMA is that financial market participants have now had several years since to adapt to the increased regulatory and investor demand for sustainability-related information.

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