

Highlights of 2Q2024

- **Anti-Greenwashing Regulations on the Horizon**

Contributing to the ongoing development of regulations, evolving standards, and recommendations within the sustainability space, the UK's FCA introduced its anti-greenwashing rule, effective as of 31st May. This follows a similar EU directive on empowering consumers passed earlier in the year, while Canada is also in the process of passing new regulations on the matter.

FCA's anti-greenwashing rules requires firms to ensure that any reference to the sustainability characteristics of a product or service is consistent, fair, clear and not misleading. Similarly, the UE directive on empowering consumers introduces specific rules to tackle unfair commercial practices leading to greenwashing and social washing.

Sustainability-linked Loan Market

Labeling sustainability-linked financing granted to high emission companies and sectors has certainly become more scrutinized, raising concerns over the materiality of the KPIs and the ambition of the SPTs.

To mitigate potential greenwashing accusations, lenders often prefer to get second party opinions to assess the whole sustainability mechanism and the alignment of the financing with market standards such as LMA, making sure that KPIs are material and SPTs ambitious. On top of that, it is not uncommon that sustainability coordinators and underwriters seek comfort by including relevant legal disclaimers.

As the Sustainability-Linked Loan market matures, we are also witnessing an increase in deals underperforming against their SPTs, reflecting the growing challenge of meeting more ambitious sustainability targets.