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FCA proposes new rules to tackle greenwashing

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In a bid to clamp down on greenwashing, the Financial Conduct Authority (FCA) is proposing a package of new measures including investment product sustainability labels and restrictions on how terms like 'ESG', 'green' or 'sustainable' can be used.

The measures are among several potential new rules which will protect consumers and improve trust in sustainable investment products. The work forms part of the commitment made in the FCA's [ESG Strategy](#) and [Business Plan](#) to build trust and integrity in ESG-labelled instruments, products and the supporting ecosystem.

There has been growth in the number of investment products marketed as 'green' or making wider sustainability claims. Exaggerated, misleading or unsubstantiated claims about ESG credentials damage confidence in these products. The FCA wants to ensure that consumers and firms can trust that products have the sustainability characteristics they claim to have.

Sacha Sadan, the FCA's Director of Environment Social and Governance, said:

'Greenwashing misleads consumers and erodes trust in all ESG products. Consumers must be confident when products claim to be sustainable that they actually are. Our proposed rules will help consumers and firms build trust in this sector. This supports investment in solutions to some of the world's biggest ESG challenges. This places the UK at the forefront of sustainable investment internationally. We are raising the bar by setting robust regulatory standards to protect consumers in line with our wider FCA strategy.'

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regulated firms. This will help avoid misleading marketing of products.

- Consumer-facing disclosures to help consumers understand the key sustainability-related features of an investment product – this includes disclosing investments that a consumer may not expect to be held in the product.
- More detailed disclosures, suitable for institutional investors or retail investors that want to know more.
- Requirements for distributors of products, such as investment platforms, to ensure that the labels and consumer-facing disclosures are accessible and clear to consumers.

The FCA is also stepping up its supervisory engagement on sustainable finance and enhancing its enforcement strategy. This includes checking how firms have responded to the expectations set out in the [Dear Chair letter](#) issued to authorised fund managers in July 2021.

Notes to editors:

1. Read [CP22/20 \(PDF\)](#).
2. The consultation is open until 25 January 2023. We intend to publish final rules by the end of the first half of 2023.
3. Alongside the CP, we have also published [consumer research](#) which supports our proposals.
4. This consultation sets out the core elements of the regime, initially focusing on UK-based funds and portfolio management. The FCA intends to follow with a consultation on expanding the scope to overseas products, and further consultations over time to extend the scope and content of the regime.
5. Our proposals support the delivery of the Government's ambition for Sustainability Disclosure Requirements and labels, set out in the [Roadmap to Sustainable Investing](#) published in October 2021.
6. There will be three categories of labels for sustainable investment products: Sustainable focus (for products investing in assets that are environmentally or socially sustainability); sustainable improvers (for products investing in assets to improve the environmental or social sustainability over time, including in response to the stewardship influence of the firm); and sustainable impact (for products investing in solutions to environmental or social problems to achieve positive, measurable real-world impact).
7. In July 2021, we issued a [Dear Chair letter](#) to authorised fund managers. This set out a series of guiding principles for the design, delivery and disclosure of sustainable investment products. Our supervisors are currently carrying out work to check how well firms have responded to our expectations.

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