

UK funds and asset managers see confirmed rules on sustainability claims in investment products

28 Nov 2023 | 15:04 GMT | **Insight**

By [Abhishek Kumar](#)

Investment funds and asset managers making sustainability claims about their products will, from May 2024, come under new anti-greenwashing and investment labeling regimes, the UK's financial services regulator said today. Firms' claims should be borne out and evidence should be available to back them up, the Financial Conduct Authority said as it confirmed a package of rules aimed at ensuring claims are fair, clear and not misleading for consumers.

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"Research has shown that investors weren't confident that sustainability-related claims made about investments were genuine," the FCA said. "This isn't helped by a lack of consistency when firms use terms, such as 'green', 'ESG' or 'sustainable'."

The regulator has confirmed three initiatives: an anti-greenwashing rule for all authorized firms; product labels to help investors understand what their money is being used for; and naming and marketing requirements for asset managers.

The FCA said the anti-greenwashing rule will require firms to ensure that any reference to sustainability characteristics of their financial products and services is correct and can be substantiated, is presented completely without hiding or omitting important information, is fair to other products and services, and considers the full lifecycle of the product or service.

Four investment labels — sustainability impact, sustainability focus, sustainability improvers, and sustainability mixed goals — are introduced under the new labeling regime, aimed at helping consumers identify the sustainability objectives linked to their financial products and services. The FCA had proposed three, but added a fourth after considering feedback.

"The labels aim to give consumers confidence that the product has a specific sustainability objective as part of its investment objectives; and the firm has committed to high standards (the qualifying criteria) to deliver on the sustainability objective," the FCA said.

The naming and marketing rules impose limitations on products that make sustainability claims but don't use the labeling regime.

Notably, the product "must have sustainability characteristics," and the name "must accurately reflect those characteristics, but the terms 'sustainable', 'sustainability', 'impact' and any variation of those terms must not be used." They also have disclosure obligations and must explain why they don't use a label, among other conditions.

"By improving trust in the sustainable investment market, the UK will be able to maintain its position at the forefront of sustainable finance, and capture the benefits of being a leading international center of investment," said Sacha Sadan, the FCA's director of environmental, social and governance.

The anti-greenwashing rule is due to come into effect from May 31 next year, while firms can use the investment labels from July 31, and the naming and marketing rules come into effect from Dec. 2.

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