

Greenwashing

The UN Climate Change Conference (COP26), which took place in November 2021, included a notable focus on the role of finance in the green transition. This sits alongside the growing demand for investment products and services with green or ESG (Environmental, Social and Governance) credentials.

As the appetite for these products increases, so does the risk of greenwashing – where an unfair competitive advantage is gained by making unsubstantiated or exaggerated claims that an investment has green or broader ESG credentials. Firms offering ESG investments, therefore, need to take into account the existing and planned regulatory initiatives in this area.



DON'T FORGET THE BASICS

The FCA's Principles for Businesses require that all communications with clients are clear, fair and not misleading.

This basic requirement is supplemented by specific rules that apply to particular types of communications.



CONSIDER ESG INITIATIVES

The Green Claims Code, published by the UK Competition and Markets Authority, and the FCA's publications (e.g. Guiding Principles for ESG funds) contain helpful guidance. You may also need to consider EU rules and global initiatives.



SCAN THE HORIZON

Many jurisdictions are in the process of refining and strengthening ESG regulations. Measures include taxonomy regulations, which aim to provide clarity on what is 'sustainable', and enhanced disclosure requirements for firms.