

SDR Deepdive: 2. Naming and Marketing Rules

Background

The three Sustainable Investment Labels: Sustainable Focus, Sustainable Improvers and Sustainable Impact, are aimed at helping consumers navigate the market, choose their preferred sustainable investment products and find products that meet their personal preferences. However, products may not always meet the FCA's qualifying criteria for the three labels and firms may continue to name and market such products, creating a false impression that they are sustainable. For example, products may be promoted as 'ESG-integrated', and firms may employ strategies such as, 'exclusion screening/negative screening'; or basic 'ESG tilts'. This information is not sufficient to meet the requirements for a sustainable label.

If the products continued to market themselves as being 'ESG' or 'Sustainable' without qualifying for a sustainable label, consumers would be misled, leading to greenwashing claims.

Restrictions on Naming and Marketing of Investment Products

To address these potential greenwashing claims, the FCA proposed to introduce restrictions around the naming and marketing of investment products marketed to retail investors that do not qualify for a label. These requirements will apply to all investment products and their communications and marketing. The naming and marketing requirement will restrict the naming of these products as well as their communications and marketing, prohibiting the use of terms such as, 'green', 'sustainable', 'ESG', 'climate', 'responsible', 'Paris-aligned' or 'net zero' in retail-facing marketing materials.

The prohibition will not apply for the purposes of disclosing information in required SDR disclosures or other disclosure requirements.

Products offered to institutional investors will be exempt from this requirement.



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