

FCA Anti-Greenwashing Rule

On 31st May 2024, the FCA's Anti-Greenwashing Rule came into force. The new rule is designed to protect consumers by ensuring that sustainable products and services sold by firms are accurately described.

The new rule applies to all FCA-authorized firms - not just fund managers that fall within the scope of the FCA's more detailed requirements relating to the naming and marketing of products, and the use of sustainability labels.

#1

What is Greenwashing?

Greenwashing is the attempt to make a product, or company, appear more environmentally responsible than is the case.

Given the heightened global awareness of environmental and social issues, there is an increased risk that companies may unintentionally or deliberately **overstate the extent to which their products and services are sustainable** when communicating with potential customers.

#2

What does the rule require?

The rule requires firms to ensure that any **sustainability-related claims** made about a product or service are:

- Consistent with the sustainability characteristics of the product or service; and
- Fair, clear and not misleading.

Importantly, the rule doesn't just cover claims relating to the environment or climate change. It also covers social characteristics (e.g. ethical supply chains).

#3

How can firms comply with the rule?

The FCA has released guidance to help firms comply with the Anti-Greenwashing Rule. This states that sustainability-related claims should be:

- **Correct** and capable of being substantiated.
- **Clear** and presented in a way that can be understood.
- **Complete** - they should not omit or hide important information.
- **Fair** and meaningful in relation to any comparisons to other products or services.

