

FCA Consultation Paper GC23/3

First Sentier Investors - Consultation Response

Company overview

First Sentier Investors (FSI) is a global asset management group focused on providing high quality, long-term investment capabilities to clients. We offer a comprehensive suite of active investment capabilities across global and regional equities, cash and fixed income, infrastructure and multi-asset solutions. Today, across the First Sentier Investors group, we manage US\$137.8 bn* of assets on behalf of institutional investors, pension funds, wholesale distributors and platforms, financial advisers and their clients (*As of 30 September 2023). FSI operates offices in both London and Edinburgh.

In line with our Responsible Investment Policy Advocacy Principles, First Sentier Investors provided a submission to the FCA's Consultation paper CP22/20 on Sustainability Disclosure Requirements and Investment Labels (SDR) last year. We welcome the opportunity to comment on the FCA's consultation on 'Guidance on the Anti-Greenwashing Rule' GC23/3. We are supportive of regulatory and legal frameworks that seek to minimise both the risk and occurrence of greenwashing throughout the sustainable investment value chain. We acknowledge the FCA's approach to tackling greenwashing including the intention to create a level playing field for firms whose products and services genuinely represent a more sustainable product set and choice for investors.

As a global asset manager, offering a range of sustainable products to investors, we are supportive of, and recognise the need for, clear guidance and regulatory expectations on greenwashing to ensure market participants understand the 'rules of the road'. We have been a keen observer of similar guidance and progress reports issued by regulatory bodies such as (i) ESMA in the European Union, through its 'Progress Report on Greenwashing', (ii) the Australian Securities and Investments Commission, through its Information Sheet 271 'How to Avoid Greenwashing when offering or promoting sustainability-related products', and (iii) IOSCO's recent Final Report on 'Supervisory Practices to address Greenwashing'. We are pleased to see that the FCA has strived for consistency with the work of other jurisdictions where feasible.

We hold a strong view that education and capacity building for financial market actors, businesses and government, is essential for delivering sustainable finance objectives. We acknowledge the work the FCA has done to date on such initiatives and would encourage the continuation and expansion of same to include ongoing education on managing greenwashing risks.

Below, we set out our responses to the three questions posed in this paper.

Q1: Does the proposed guidance clarify the anti-greenwashing rule? If not, what more could we do to provide clarity?

Overall, the proposed guidance does clarify the anti-greenwashing rule, and importantly, includes information regarding the rule's interaction with existing legislation. We do support the use of the '5 C's' (correct, capable, clear, complete and comparisons) where making sustainability claims.

We welcome the FCA's initiative to provide a clear "tool box" to help firms embedding controls all along the production chain, from the content creator (investment teams, investment writers etc) up to the final stage of approval. The key element for us is the interaction between the naming and marketing rules and the AG

rule. We would welcome additional guidance from the FCA on how these rules interrelate. For non-labelled funds, which integrate ESG characteristics into their investment process but do not have a sustainable investment objective, it will be key to understand how firms can articulate this in their materials in light of the Naming and Marketing rules.

We acknowledge and support that firms should have evidence to support and backup claims. One area for further clarity is in regard to the expectations under Annex 1 scope section 17 'Where a firm's claim makes specific reference to the evidence that supports it, they may wish to consider whether it would be helpful to make that evidence publicly available in a way that is easily accessible'. Should the publication of evidence be in addition to any supporting evidence used a part of a fund's SDR reporting requirements?

Q2: Do you have any comments on the proposed guidance including the examples given?

One possible area for improvement to the examples is a description of good/best practice of disclosure.

Q3: Do you agree that the guidance should come into force on 31 May 2024?

Yes, we agree the guidance should come into force on 31 May 2024. The requirement to ensure that all communications issued by a firm are clear, fair and not misleading is a key requirement under the existing COBS rules and firms are already required to review and approve marketing materials containing ESG language under this rule. Therefore, we do not see material risks in the AG rule coming into force in May 2024. However, we do acknowledge that the majority of the SDR rules apply later in 2024. We would also request the FCA publish the final anti-greenwashing rules guidance as swiftly as possible to allow firms sufficient time to consider ahead of 31 May.