



By email, to: gc23-3@fca.org.uk

Financial Conduct Authority
12 Endeavour Square
London E20 1JN

23 January 2024

AFM Response to FCA GC23/3, Guidance on the anti-greenwashing rule

1. I am writing in response to this consultation paper, on behalf of the Association of Financial Mutuals. The objectives we seek from our response are to:
 - Comment on the draft guidance and its usefulness.

About AFM and its members

2. The Association of Financial Mutuals (AFM) represents insurance and healthcare providers that are owned by their customers, or which are established to serve a defined community (on a not-for-profit basis). Between them, mutual insurers manage the savings, pensions, protection and healthcare needs of over 32 million people in the UK and Ireland, collect annual premium income of over £22 billion, and employ nearly 30,000 staff¹.
3. The nature of their ownership and the consequently lower prices, higher returns or better service that typically results, make mutuals accessible and attractive to consumers, and have been recognised by Parliament as worthy of continued support and promotion. In particular, FCA and PRA are required to analyse whether new rules impose any significantly different consequences for mutual businesses² and to take account of corporate diversity³.

¹ ICMIF and AFM, 2022: <https://financialmutuals.org/wp-content/uploads/2022/10/UK-Market-Insights-2022.pdf>

² Financial Services Act 2012, section 138 K: <http://www.legislation.gov.uk/ukpga/2012/21/section/24/enacted>

³ <http://www.legislation.gov.uk/ukpga/2016/14/section/20/enacted>

AFM comments on the proposals

4. We welcome the opportunity to comment on the draft guidance. We are supportive of the anti-greenwashing rule, and recognise the value of providing guidance to inform firms and their response to it.
5. As smaller businesses, AFM members take in good faith a lot of information from asset managers in the way they describe their products. Where our members make claims therefore about their products and services, they need to take account of both the way they describe any sustainability claims about the business they operate and the products they sell, but also need clear and effective information from business partners. The anti-greenwashing rule, and the guidance, therefore provide very helpful information to our members.
6. We have commented against the questions raised in the paper below. We would welcome the opportunity to discuss further the issues raised by our response. We are happy to be included in the published list of respondents.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'MS', with a long horizontal stroke extending to the right.

Martin Shaw
Head of Policy
Association of Financial Mutuals

AFM comments on the questions raised in the paper

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

We agree that the proposed guidance is helpful and elaborates regulatory expectations well.

It would have been preferable to align the principles with those in the EIOPA proposals (for insurers)⁴:

FCA	EIOPA
<ul style="list-style-type: none"> ✓ 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 and should consider the full life cycle of the product or service ✓ Fair and meaningful in relation to any comparisons to other products or services 	<ul style="list-style-type: none"> • Principle 1: Sustainability claims made by a provider should be accurate, precise, and consistent with the provider's overall profile and business model, or the profile of its product(s). • Principle 2: Sustainability claims should be kept up to date, and any changes should be disclosed in a timely manner and with a clear rationale. • Principle 3: Sustainability claims should be substantiated with clear reasoning and facts. • Principle 4: Sustainability claims and their substantiation should be accessible by the targeted stakeholders.

As illustrated above, whilst the two sets of principles are similar in content, the presentation and detailed expectations are different. For an international firm having to deal with two sets of expectations creates a risk of applying different standards. That said, we expect the FCA expectations may be slightly easier to achieve and demonstrate.

2. Do you have any comments on the proposed guidance including the examples given?

The examples are helpful, but all display bad practice. Examples of good practice would also be useful, in the same way that the EIOPA document has provided.

As a greater proportion of consumer communications now takes place through social media, it would be helpful for FCA to offer examples of whether and how sustainability claims can be made within the format, and what restrictions are imposed by those platforms.

⁴ https://www.eiopa.europa.eu/consultations/consultation-opinion-sustainability-claims-and-greenwashing-insurance-and-pensions-sectors_en

3. *Do you agree the guidance should come into force on 31 May 2024?*

We would expect a longer lead period for firms to review documents and web information, and to engage with third party suppliers. Small insurers in particular require information from asset managers about asset holdings and this will take some time to collate.

The suitability disclosure requirements in PS23/16 have an implementation date of 31 July, and whilst this would be very tight still, it would represent a more reasonable deadline.