

PRESS RELEASE

ESMA launches a consultation on guidelines for the use of ESG or sustainability-related terms in funds' names

The European Securities and Markets Authority (ESMA), the EU's financial markets regulator and supervisor, is seeking input on draft guidelines on the use in funds' names of ESG or sustainability-related terms.

Funds' names are a powerful marketing tool. In order not to mislead investors, ESMA believes that ESG- and sustainability-related terms in funds' names should be supported in a material way by evidence of sustainability characteristics or objectives that are reflected fairly and consistently in the fund's investment objectives and policy. ESMA is particularly seeking stakeholders' feedback on the introduction of quantitative thresholds for the minimum proportion of investments sufficient to support the ESG or sustainability-related terms in funds' names.

Verena Ross, ESMA Chair, said:

“With this consultation, ESMA continues to prioritise promoting transparency and tackling the risk of greenwashing as identified in the ESMA Strategy and Sustainable Finance Roadmap.

This consultation seeks the views of stakeholders on a proposal to promote supervisory convergence in the assessment by NCAs of the use of ESG or sustainability-related terms in funds' names.

The objective is to ensure that investors are protected against unsubstantiated or exaggerated sustainability claims while providing both NCAs and asset managers with clear and measurable criteria to assess names of funds including ESG or sustainability-related terms.”

The main elements of the consultation paper on draft guidelines for the use of ESG or sustainability-related terms in funds' names on which ESMA is seeking stakeholders' feedback are:



- a quantitative threshold (80%) for the use of ESG related words;
- an additional threshold (50%) for the use of “sustainable” or any sustainability-related term only, as part of the 80% threshold;
- application of minimum safeguards to all investments for funds using such terms (exclusion criteria);
- additional considerations for specific types of funds (index and impact funds).

ESMA proposes that the draft guidelines would become applicable from 3 months after the publication of their translation on the ESMA website. Furthermore, a transitional period of 6 months is suggested for those funds launched prior the application date, in order to comply with the Guidelines.

Next steps

ESMA will consider the feedback it receives to this consultation after it closes on 20 February 2023 with a view to finalising the guidance afterwards.



Notes for editors

1. [ESMA34-472-373 Consultation Paper - ESMA Guidelines on funds' names using ESG or sustainability-related terms](#)
2. [ESMA Sustainable Finance Roadmap 2022-2024](#)
3. Please note that the present guidance would not affect the European Commission Q&As in July 2021 with regard to Article 9 SFDR financial products, page 5 https://www.esma.europa.eu/sites/default/files/library/sfdr_ec_qa_1313978.pdf
4. ESMA is the European Union's EU's financial markets regulator and supervisor. Its mission is to enhance investor protection and promote stable and orderly financial markets.
5. It achieves this objective through three strategic priorities:
 - i. fostering effective markets and financial stability,
 - ii. strengthening supervision of EU financial markets,
 - iii. enhancing protection of retail investors,and two thematic drivers:
 - iv. enabling sustainable finance; and
 - v. facilitating technological innovation and effective use of data.
6. ESMA achieves its mission within the European System of Financial Supervision (ESFS) through active cooperation with the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Systemic Risk Board, and with national authorities with competencies in securities markets (NCAs).

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