

The FCA's Final Anti-Greenwashing Guidance: Implications for DFM's

The FCA has released its final non-handbook guidance on the anti-greenwashing rule, following consultation on its draft guidance published in November 2023. The anti-greenwashing rule aims to prevent misleading claims about ESG characteristics of financial products and services.

Anti-Greenwashing Rule (AGR):

- Applies from 31 May 2024.
- Under the AGR, DFM's must ensure that any sustainability claims made about their models are fair, clear, and not misleading. They must be able to substantiate these claims with evidence.
- To ensure compliance with this rule, we will thoroughly examine all funds within our ESG models to confirm that they possess attributes warranting inclusion. This process includes a detailed review by our dedicated ESG Focus Group, assessments by sector analysts, and final approval by our Compliance Officer.

Sustainability Disclosure Requirements (SDR) (currently in consultation):

- Applies from 2 December 2024.
- To qualify for sustainability labelling, a portfolio must allocate a minimum of 70% of its gross asset value towards investments that meet the defined sustainability objective, along with other specified requirements.
- We are actively engaging with the funds in our portfolios to ascertain their labelling strategies. Our commitment is to adhere to the SDR guidelines, ensuring our portfolio models are appropriately labelled.

Steps being taken by Cantab in the provision of DFM services:

- We have already contacted all funds within our ESG range to confirm their intentions regarding labelling.
- We have also requested information from these funds about their actions to align with anti-greenwashing efforts.
- A dynamic list of funds qualified for our ESG models will be maintained, including the specific sustainability labels employed by each fund.
- This list will undergo regular evaluations to ensure ongoing relevance and compliance.
- Any funds no longer suitable for inclusion into the ESG model will be replaced.

Risk Warnings This document has been prepared based on our understanding of the FCA's Finalised Guidance FG24/3 titled 'Finalised non-handbook guidance on the Anti-Greenwashing Rule', published in April 2024. The opinions expressed herein are those of Cantab Asset Management Ltd and should not be construed as investment advice. Cantab Asset Management Ltd is authorised and regulated by the Financial Conduct Authority. As with all equity-based and bond-based investments, the value and the income therefrom can fall as well as rise and you may not get back all the money that you invested. The value of overseas securities will be influenced by the exchange rate used to convert these to sterling. Investments in stocks and shares should therefore be viewed as a medium to long-term investment. Past performance is not a guide to the future. It is important to note that in selecting ESG investments, a screening out process has taken place which eliminates many investments potentially providing good financial returns. By reducing the universe of possible investments, the investment performance of ESG portfolios might be less than that potentially produced by selecting from the larger unscreened universe.

