

25 January 2022

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To whom it may concern,

Re: SDR and labels policy, Sustainability Disclosure Requirements (SDR) and investment labels consultation paper CP22/20

- 0.1 Feedback Global (registered charity number 1155064) is a UK and Netherlands based environmental campaign group working for food that is good for the planet and its people. We have established a strong reputation as both an expert voice and practical actor on circular food systems and are regularly called upon by businesses, governments, and civil society to provide evidence and advice on diverse issues, including food waste, industrial (animal) agriculture, aquaculture, and circular food economies.
- 0.2 To move towards a food system that nourishes both people and our planet requires significant changes to our food culture, the food economy and its governance – and importantly, how food and agriculture are financed.
- 0.3 We applaud the FCA in taking steps to address misleading and harmful (greenwashing) claims about the sustainability of investment products, to better protect and inform retail investors, and encourage competition and innovation among firms for the necessary transition to net zero and away from other social and environmental harms.
- 0.4 However, we have significant concerns about the overall adequacy of the proposed approach, as well as specific proposals regarding sustainable investment product categories, disclosures and requirements. Without significant work to address these shortcomings, the sustainability disclosure requirements and investment labels regime will itself be an exercise in greenwashing for the financial services sector.
- 0.5 We are well into the critical decade for action to address poverty, inequalities, climate change, biodiversity loss and other social and environmental crises. A policy coming into effect from 2024 must be part of clear, consistent signals to investors and broader stakeholders that a rapid, orderly transition is not only possible and desirable, but necessary, for climate, biodiversity, poverty eradication and sustainable development goals.
- 0.6 In particular, given our sectoral expertise on food and agriculture, we urge the FCA to ensure that its sustainability label and disclosure rules are coherent with, and reinforced by, sector specific regulation – or otherwise take into consideration the different and well-evidenced impacts of different sectors and assets, and whether

they can be considered sustainable at all. (As it stands, it is unclear how the current proposals will relate to the future Green Taxonomy.)

- 0.7 The proposed FCA rules can only be successful if they consider product composition more substantially. Qualifying criteria for sustainable investment products should be amended to eliminate potential loopholes.
- 0.8 Moreover, the FCA must consider how current and increasing recognition of stranded asset risks relate to the proposed rules for retail investment products [1] [2] [3].

1. Sustainability is not a preference, but a necessity.

1.1 The Consultation Paper presents the immediate context for the proposals as including the growth of sustainable investment approaches and products; the UK Government Roadmap to Sustainable Investing and commitment to introduce mandatory TCFD-aligned disclosure requirements by 2025; the Treasury Select Committee report “Net Zero and the Future of Green Finance”; and “growing concerns” about “exaggerated, misleading or unsubstantiated sustainability-related claims” about investment products (1.2).

1.2 Net Zero, and thus climate change, underpin this market and policy context. The Consultation Paper recognises this in Annex 2, point 10: “Our proposals also support the expectations set out in our remit letter from the Chancellor, for the FCA to ‘have regard to the Government’s commitment to achieve a net-zero economy by 2050 under the Climate Change Act 2008 (Order 2019) when considering how to advance its objectives and discharge its functions.’”

1.3 Other actors in the ecosystem for standard-setting and regulation more explicitly recognise and foreground the fundamental motivation for the changes underway in the sector. For example the Task Force on Climate-related Financial Disclosures (TCFD) foreground the facts of climate change, the Paris Agreement, and IPCC reports in the opening of their 2022 Status Report:

“In December 2015, nearly 200 governments agreed to address climate change by holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the increase to 1.5°C (referred to as the Paris Agreement). Subsequent to the Paris Agreement, the Intergovernmental Panel on Climate Change (IPCC) issued a report in 2018 indicating the global temperature increase needs to be limited to 1.5°C above pre-industrial levels to avoid long-lasting or irreversible consequences of global warming.

In its April 2022 report, the IPCC indicated limiting global warming to around 1.5°C requires greenhouse gas (GHG) emissions to peak before 2025 at the latest and be reduced by 43% by 2030 to reach “net zero” by 2050. The press release announcing the report emphasized that “without immediate and deep emissions reductions across all sectors, limiting global warming to 1.5°C is beyond reach.” Despite this warning, the world is heading to a warming of well above 2°C based on current policies and commitments

[...] Furthermore, the recent IPCC report highlighted concerns that directly tie to climate-related financial disclosure. The report highlighted that finance is a critical enabling factor for the low carbon transition, but progress on aligning financial flows with low GHG emissions pathways remains slow. The report further indicated that climate-related financial risks remain greatly

underestimated by financial institutions and markets” [4]

- 2.1 Of critical importance within the Paris Agreement is Article 2.1c, by which the UK has agreed to “Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development”, “in the context of sustainable development and efforts to eradicate poverty” [5].
- 2.2 It remains dangerously the case, however, that “actions are not yet sufficient and momentum and work on Paris alignment need to accelerate rapidly”, given the critical role of finance for enabling the necessary social and economic transitions [6]. The Principles for Responsible Investment (PRI) has highlighted the “policy ambition gap” that remains between current national commitments and the policies required to avoid the worst impacts of climate change (i.e. limiting warming to 2°C above pre-industrial levels) [7].
- 2.3 Against this background it is inadequate that the FCA and proposed rules frame the “sustainability-related objectives and features” (1.10) as “designed to deliver a different profile of assets and consumer preferences” (1.25), and ultimately that labels and disclosures serve to “give consumers the information they need to make informed choices about which products meet their needs and preferences” (1.10).

Given:

- a. The government is legally committed to achieve a net-zero economy by 2050 under the Climate Change Act 2008 (Order 2019);
- b. This commitment is a response to the existential threat of climate change and need to limit temperature rise to 1.5°C above pre-industrial levels to avoid long-lasting, irreversible and catastrophic consequences;
- c. Financial flows must be made consistent with, and enable, the path of limiting warming to 1.5°C above pre-industrial levels; and
- d. Investors require clear signals to manage an orderly transition, and reduce regulatory uncertainties and physical and transition risks related to greenhouse gas emissions and movement away from fossil fuel dependency;

Then sustainability should not be left to consumer preference and choice. The FCA as regulator has a critical role to play not only in addressing greenwashing risk, which is vitally important, but in creating the incentives and policy signals to steward the UK financial services sector as a whole on the Net Zero, Paris-aligned path.

- 2.4 Climate change is not the only existential threat that underpins the need for sustainability in investments and societies more broadly.
 - a. We draw attention to the Taskforce on Nature-related Financial Disclosures (TNFD), newly adopted Kunming-Montreal Global Biodiversity Framework, and underpinning nature and biodiversity crisis, as one example [8] [9]. As recognised by many actors including the UN Environment Programme Finance Initiative (UNEP-FI) and Finance for Biodiversity Foundation, the success of the Global Biodiversity Framework relies on the alignment of financial flows not only with a 1.5°C pathway, but nature-positive and regenerative outcomes [10] [11].
 - b. We draw attention to the established scientific framework of planetary boundaries, and consensus that social and economic activities are approaching or exceeding numerous planetary boundaries alongside greenhouse gas emissions

[12]. For example, biogeochemical flows including nitrogen, which are vital for agriculture and biodiversity.

2. Current proposals risk market-wide greenwashing, including as a result of loopholes in the proposed definitions of sustainable investment products.

- 2.1 The Consultation Paper fails to address or disclose risks that the proposed rules may create loopholes, perverse incentives or other unintended consequences in the market, confusing retail investors, harming firms and competition, and failing to progress Paris-alignment and Net Zero (among other social and environmental imperatives).
- 2.2 For instance, it appears there is no consideration of the risk that the FCA creates false trust and assurance among retail investors, that the products they are selecting are truly “sustainable”, because categorised in the proposed sustainable investment product categories by FCA rules. *See question responses below.*
- 2.3 Without specific requirements including potential exclusions of sectors or assets, the current proposals fall short of eliminating greenwashing risk for all possible cases of products in the proposed sustainable investment product categories.
- 2.4 To use a sectoral example: it is well recognised that current food systems are unsustainable and need to change [13] [14] [15]. Within this, the industrial production and consumption of animal-sourced foods (meat, dairy, eggs, poultry, fish, seafood) is a core issue. Industrial animal agriculture drives deforestation, biodiversity destruction, antimicrobial resistance, and zoonotic disease risk [16] [17] [18]; contributes over 10% of global emissions [19] [20]; and dominates and pollutes land and water, including the c.33% of all cropland given to the production of animal feed [19] [21]. In addition, the animal agriculture sector reports uniquely high ill health, injury and death rates among workers in its labour force, a matter of social concern [22].
- 2.5 We bring this sectoral example to question whether the current proposed rules are adequate in relation to ensuring particular sectors and assets are not greenwashed by their potential labelling as “sustainable” investment products. If there can be reasonable doubt about the sustainability of the animal agriculture (or fossil fuel) sectors as a whole, retail investors may reasonably mistrust or be misled by investment products that claim they are sustainable but include assets from such damaging sectors.
- 2.6 If, for example, a “Sustainable focus” category product had an objective tied to increasing regenerative and agroecological food production to address the interlinked hunger, malnutrition, climate and nature crises, then it would be inconsistent to allow the inclusion of investments in, for example, industrial animal agriculture businesses directly responsible for deforestation and environmental harms in the Amazon and Cerrado regions of Brazil [23] [24] [25] [26] [27].
- 2.7 Secondly, many animal agriculture companies, and the sector in general, use production efficiency metrics and performance relative to competitors or other regions to substantiate sustainability claims [see e.g. 28]. For instance, reporting

that “Global dairy emissions decreased 10-11% from 2005-15” [28] or that “the carbon footprint of UK beef was half the global average, while the footprint of UK dairy was a third lower than the global average” [29]. Such claims could be reasonably interpreted by retail investors as positively demonstrating sustainability. However, these claims are not grounded in a systemic and absolute understanding of emissions contributions. Such relative performance statements evade, ignore or downplay the question of whether the trajectory of emissions reductions, for example, or the footprint of UK dairy, are compatible with Paris alignment.

- 2.8 The FCA must carefully consider how the claims and composition of individual investment products are effectively understood by retail investors, given such contexts.
- 2.9 Further, the FCA should consider introducing its own performance indicators or reporting requirements, looking at the sum of sustainable investment products *collectively* and whether they are sufficient or inadequate in responding to the many interlinked social and ecological crises society faces today.
- 2.10 At the very least, the FCA would do well to more thoroughly consider the potential loopholes and unintended consequences of its proposals.

We look forward to the next stages of this consultation process, and welcome the opportunity for further discussion and consultation. Once again we applaud this vital effort to prevent greenwashing in the financial services sector, and support the transition to Net Zero, Paris alignment, and addressing social and environmental crises.

Please see the following pages for individual responses to questions in the consultation paper.

Yours sincerely,

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Q2. Do you agree with the proposed implementation timeline? If not, what alternative timeline would you prefer, and why?

Noting the proposed timeline in 1.18, 3.6 and Annex 2 point 13, we call attention to the urgency of efficient and swift implementation of robust rules, given the critical importance of acting to eliminate emissions and end other environmental harms in line with the Paris Agreement, Kunming-Montreal Global Biodiversity Framework, and other commitments such as the Sustainable Development Goals. Recognising the need for an orderly transition, the FCA must recognise its role as a regulator in providing clear and consistent signals to markets.

We also draw attention to the fact calls to delay action on eliminating emissions (“discourses of delay”), and the corresponding shifting of financial flows required as per Paris Agreement article 2.1c, are an established dimension of climate denial and delay tactics [30] [31].

We urge that new labelling, marketing and disclosure requirements should come into effect as soon as possible, and no later than the 30 June 2024 date outlined. At the same time, however, the FCA must rigorously ensure that the introduced rules do not contain loopholes or other greenwashing risk.

Q4. Do you agree with our characterisation of what constitutes a sustainable investment, and our description of the channels by which positive sustainability outcomes may be pursued? If not, what alternatives do you suggest and why.

There are no definitions within the main text of consultation paper of what is understood and signified by the FCA’s use of the key terms “sustainable” and “sustainability”.

The Draft Handbook text in Appendix 1 includes some terms in a glossary, including defining “sustainability characteristics” as “environmental, social or governance characteristics”; and “sustainability objective” as “a statement of intention to undertake activities with the aim of pursuing, promoting or improving environmental and/or social sustainability characteristics”.

These definitions are inadequate and lack any reference to external sources by which it may be established that the FCA is using sustainability-related terms in accurate or broadly understood ways. In order for the FCA regime to avoid being an exercise in greenwashing, the definitions of sustainability-related terms must be clear, robust, evidence-based, ambitious and strict.

Q5. Do you agree with the proposed approach to the labelling and classification of sustainable investment products, in particular the emphasis on intentionality? If not, what alternatives do you suggest and why?

Recognising intentionality is important. However, intentionality cannot be the sole focus. Without also rooting rules about investment labels and claims in tangible impacts, the FCA rules may lose sight of the national and international commitments, including the Paris Agreement and Climate Change Act, that underpin the necessary transition to *all* products being sustainable investment products.

There must be robust accountability and enforcement mechanisms and incentives to ensure

that sustainable investment products deliver not only against their defined performance indicators, but that the overall regime is stewarding the financial sector in line with Article 2.1c of the Paris Agreement, and other agreements including the Global Biodiversity Framework.

Q6. Do you agree with the proposed distinguishing features, and likely product profiles and strategies, for each category? If not, what alternatives do you suggest and why?

Q9. Do you agree with the category-specific criteria ... Please consider whether there any other important aspects that we should consider adding.

We respond to Q6 and Q9 together due to our perception of their fundamental interrelation. It is hard to respond about the “proposed distinguishing features” of the categories without also considering the criteria that help define them.

The answer to both questions, in brief, is no: we do not agree. Firstly, there is a lack of clarity between categories, as they are not mutually exclusive as intended (4.48) and the existing proposals suggest overlap and confusion. Secondly, the categories are not robust enough to protect against becoming tools of greenwashing themselves. Finally, and correspondingly, there is risk that the current criteria for the categories are too broad and generous, thus will not support fair competition, transparency, trust or consumer protection.

In general, regarding measurement of performance or KPIs for reporting against the potential objectives of the three categories: if FCA rules do not require targets that are science-based, then all definitions and metrics used by firms in investment products risk misleading consumers, by giving them an FCA “sustainability” seal of approval, while obscuring the un-scientific and potentially limited evidence firms use to substantiate their product composition and claims.

“Sustainable focus”

There is reputational and greenwashing risk in the 70% threshold suggested. The qualifying criteria should be expanded to include an exclusion list of assets that could reasonably be seen as undermining or opposing the environmental and/or social objectives of the products, and the majority of assets that support the objectives. This may currently be a loophole that risks undermining the integrity of the proposed category.

The FCA must therefore think carefully about introducing rules that are flexible and appropriate on a case by case basis and do not allow for loopholes.

If, for example, a “sustainable focus” product had an objective tied to increasing regenerative and agroecological food production to address the interlinked hunger, malnutrition, climate and nature crises, then it would be inconsistent to allow the inclusion of investments in, for example, industrial animal agriculture businesses directly responsible for deforestation and environmental harms in the Amazon and Cerrado regions of Brazil [25] [26] [27].

“Sustainable improvers”

We share the FCA's concern about inclusion of assets “in transition to becoming more sustainable” and the importance of firms “embedding and accelerating improvements” in assets’ sustainability profiles (4.33), which may be encouraged by a product category such as this proposed category. However, there is high risk for the “Sustainable improvers” category as currently defined to become a greenwashing category and label.

It is risky to stipulate only or broadly that assets in this proposed category must “have *the potential* to deliver *measurable improvements* in their environmental and/or social sustainability over time” (4.32, our emphasis). This relates to point 4.53 that “The criteria for each label must be met in full and continue to be met on an ongoing basis in order to use that label”.

Additionally, “measurable improvements” (4.32), “how [firms] assess the potential” for assets’ sustainability profiles to improve over time, including “clear and measurable target[s]” (4.35), appear to be a very broad requirement, with high greenwashing risk.

Unless there are more specific requirements for the relevance, validity, robustness and quality of metrics, they risk failing to measure what matters, and instead providing false assurances – i.e. greenwashing investment products. We therefore recommend inclusion of further specificity about the robustness of targets and measurements that will be sufficient. We note the existence of the Science Based Targets initiative (SBTi), alongside the TCFD, which has established work on setting and evaluating meaningful emissions reduction targets [32].

Another example illustrates a potential flaw in the proposed approach. Many animal agriculture companies, and the sector in general, use production efficiency metrics and performance relative to competitors or other regions to substantiate sustainability claims [28]. For instance, reporting that “Global dairy emissions decreased 10-11% from 2005-15” [28] or that “the carbon footprint of UK beef was half the global average, while the footprint of UK dairy was a third lower than the global average” [29]. Such claims could be reasonably interpreted by retail investors as positively demonstrating sustainability. However, these claims are not grounded in a systemic or overall understanding. Such relative performance statements evade, ignore or downplay the question of whether the trajectory of emissions reductions, for example, or the footprint of UK dairy, are in line with emission levels and needed emissions reductions for Paris alignment.

If a “clear and measurable target” is the only real difference from other traditional products that integrate ESG considerations, and such targets are liable to being weakly implemented and/or limited in efficacy, there may be no benefit to creating the category at all, because it may provide more greenwashing risk than clarity to retail investors.

Overall, further qualification is necessary, as these proposed criteria alone leave the category vulnerable to use as a greenwashing label. As stated elsewhere, this could significantly undermine trust.

Q7. Do you agree with our proposal to only introduce labels for sustainable investment products (ie to not require a label for ‘non-sustainable’ investment products)? If not, what alternative do you suggest and why?

No, we do not agree with the proposal to only introduce labels for sustainable investment products. By not introducing labels for “non-sustainable” products, a reasonable conclusion being implied is that products are *not* sustainable if they lack one of the three proposed sustainable product categories. There is risk of retail investor confusion about what this says about products that do not fit into the proposed categories: are they *unsustainable*, or have firms simply chosen not to pursue categorisation? Both conclusions are reasonable and likely to apply to different products. It may be unfair to firms, and confusing to retail investors, to create a heterogeneous non-sustainable category by implication.

Instead, it may be prudent and more effective to consider categorising all other investment products according to a limited number of further categories – reverting to something more similar to the product categories suggested in DP 21/4 (as at 4.13). This could include a category to distinguish products that have simply not sought classification as sustainable investment products, which is different to the previous “Not promoted as sustainable” proposed category. It is germane for a retail investor who is choosing between not only products, but firms/providers, to consider the commitment of a firm to sustainability; their decision to demonstrate their sustainability credentials is a potentially relevant piece of information in a decision-making process.

We note that this is explicitly supported by the results of the July 2021 exploratory analysis (2.15 and Box 2) where:

Consumers more frequently chose products that were given bronze, silver or gold medals stating that at least a small proportion of companies in the fund have a positive environmental, social, or governance impact, than products that indicated having “no positive impact” (Box 2)

And:

including consumer-facing disclosures for products without a sustainable label, albeit with limited content reflecting the nature of the product, increased consumer comprehension of sustainability information compared to when disclosures were provided only for those products with a sustainable label. (Box 2)

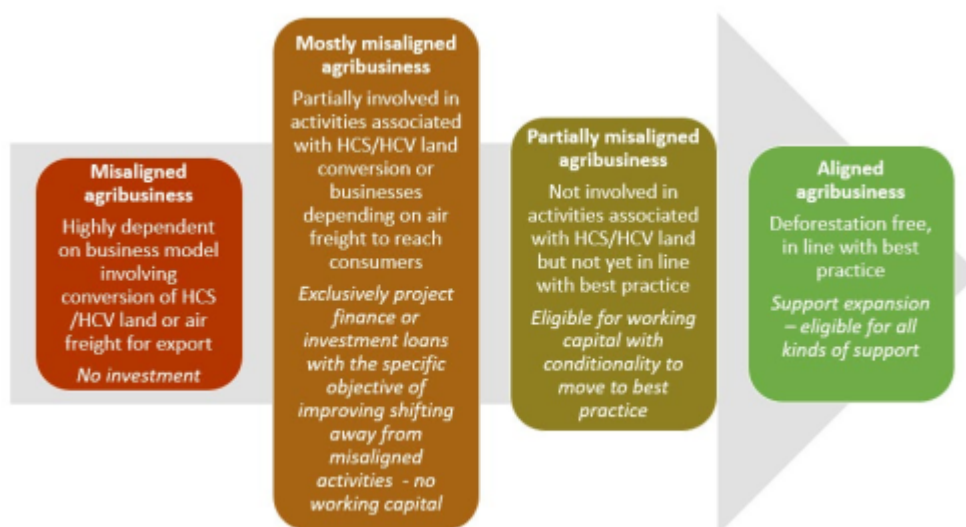
The first finding suggests that it is important for retail investors to understand the proportion and extent of companies’ environmental social or governance impacts within a fund, and that the medals/labels are interpreted as a shorthand whereby products *without* such labels are seen comparatively negatively. The second clearly supports having sustainability information disclosures for all products, not only those with a sustainable label. Without requiring disclosure of sustainability information consistently across all products, the sustainable product categories are open to become vehicles of greenwashing.

It is also recommended that explicit “warning labels” be applied to investment products that include investments that are demonstrably unsustainable, for example fossil fuel or industrial animal agriculture investments. This could function in an analogous way to warning labels on tobacco products, and nutritional information “traffic lights” on food products. The goal and outcome is for citizens, as retail investors, to be more fully informed of the potentially harmful consequences of their purchases. The labels could be more in line with proposed environmental impact labels for other consumer products and utilise the frameworks of planetary and social boundaries [12] [33].



Source: Doughnut Economics Action Lab [33]

Alternatively, an approach could be adopted similar to recommendations by the New Climate Institute, who have provided a framework for classifying agricultural investments as “misaligned”, “mostly misaligned”, “partially misaligned” or “aligned” with the Paris Agreement [1]. Building the criteria for inclusion from a more sector-informed understanding of sustainability issues may avoid the risk of loopholes in the criteria and definitions of the proposed sustainable investment categories.



Source: Kachi et al / New Climate Institute [34, page ii]

Lastly, it would enhance the market shaping, competition fostering nature of the proposal, as well as benefit national and global sustainability goals, to consider explicitly requiring all investment products – and by association, all assets – to transition to eventually be eligible for one of the sustainable investment product categories. This is also necessary under UK government and international sustainability commitments, including Paris, Kunming-Montreal, and the Sustainable Development Goals.

Q8. Do you agree with our proposed qualifying criteria? If not, what alternatives do you suggest and why?

4.44 notes the importance of “Clear, objective criteria for sustainable investment labels”. 4.45 states that the proposed criteria are “objective, rigorous” and ambitious. However, as noted elsewhere, there are a number of ways in which possible product compositions or performance measurements will potentially facilitate greenwash.

Q13. Do you agree with our proposals for consumer-facing disclosures, including location, scope, content and frequency of disclosure and updates? If not, what alternatives do you suggest and why?

Q15. Do you agree with our proposals for pre-contractual disclosures? If not, what alternatives do you suggest and why. Please comment specifically on the scope, format, location, content and frequency of disclosure and updates.

Q16: Do you agree with our proposals for ongoing sustainability-related performance disclosures in the sustainability product report? If not, what alternative do you suggest and why? In your response, please comment on our proposed scope, location, format, content and frequency of disclosure updates.

Q17: Do you agree with our proposals for an 'on demand' regime, including the types of products that would be subject to this regime? If not, what alternatives do you suggest and why?

Q18. Do you agree with our proposals for sustainability entity report disclosures? If not, what alternatives do you suggest and why? In your response, please comment on our proposed scope, location, format, content, frequency of disclosures and updates.

In general when considering the proposals for scope, format, content, and frequency of disclosures and updates, we again draw attention to the need for careful consideration and guidance in relation to the requirements for measurable outcomes and KPIs.

The FCA may also wish to consider what warnings or disclosures relating to sustainability should accompany the established warnings on marketing communications that investments can go down as well as up in value, and finances are at risk when investing. It would clearly demonstrate the FCA's commitment to supporting the UK economy to transition to net zero and a more sustainable future. Specifically, for example, products that do not fall into one of the sustainable investment product categories might be required to disclose in marketing communications that any investment in the product risks UK and global achievement of necessary actions to halt climate change and reverse biodiversity loss.

Relatedly, the FCA should work with the ASA and other regulators including the CMA to ensure coherence in defining and enforcing rules against socially and environmentally irresponsible marketing communications.

Q20. Do you agree with our proposed general 'anti-greenwashing' rule? If not, what alternative do you suggest and why?

We broadly agree with the general "anti-greenwashing" rule that is proposed (6.9), and for the need to introduce a specific rule regarding sustainability claims in addition to existing rules (6.10). It will be necessary for the FCA to provide guidance to specify and illustrate the definitions of, and expectations surrounding, the requisite characteristics of "clear", "fair", "not misleading", "proportionate" and "not exaggerated" naming and marketing claims. It will also be necessary to ensure appropriate incentives, sanctions and enforcement mechanisms so that the anti-greenwashing rule is effective in protecting retail investors, and encouraging competition and innovation in the transition to net zero.

We agree that the rule should apply to all FCA-regulated firms.

Q21: Do you agree with our proposed product naming rule and prohibited terms we have identified? If not, what alternative do you suggest and why?

Q22. Do you agree with the proposed marketing rule? If not, what alternative do you suggest and why?

Q23. Are there additional approaches to marketing not covered by our proposals that could lead to greenwashing if unaddressed?

We broadly agree with the principle of prohibiting firms from naming products using sustainability-related terms if they do not qualify for and use a sustainable investment product label (6.11), within the current proposal. However, as expressed above, without further guidance on definitions of terms such as “sustainable” and “Paris-aligned” (as listed at 6.12), and stringent qualifying criteria for usage of these terms, the sustainable investment product labels themselves risk being a form of greenwash.

In addition, it may not be sufficient to only prohibit use of such sustainability-related terms in product naming. The FCA should consider prohibiting the use of sustainability-related terms for all products, within disclosure and marketing materials, if the products contain particular well-established harmful companies or assets. For example, fossil fuel companies majorly invested in coal and oil and with well-evidenced practices of denying climate change and delaying action to reduce emissions [30] [31] [34]. Or industrial animal agriculture companies that have no or insufficient responses to climate change and deforestation, such as livestock companies that lack Scope 3 emissions disclosures and targets [23] [24].

In general the FCA should consider alignment with frameworks of planetary and social boundaries, to create clear rules and guidance on the definitions and use cases of sustainability-related terms. For example, if a company lacks disclosure of Scope 1, 2 and 3 emissions, and targets to reduce emissions consistent with the Paris Agreement [23] [24] [35].

Q25. What are your views on how labels should be applied to pension products? What would be an appropriate threshold for the overarching product to qualify for a label and why? How should we treat changes in the composition of the product over time?

We understand the FCA perspective that “it would be most decision-useful to apply a sustainable investment label to pension products at the level at which the consumer invests, rather than at the pension scheme level”. However, this does not sufficiently consider the wider context – as partially detailed in chapters 1 and 2, but going beyond the FCA’s mandate from UK government and TCFD to consider the sustainability issues that underpin them.

Instead, labels must also be applied to pension products. For the UK population, pension products are also an incredibly significant part of individuals’ financial products portfolio; many may have pensions but no retail investments. In addition, pensions are viewed as a powerful tool for individuals to make a difference to their individual and collective carbon footprints; Make My Money Matter claim that “greening your pension is 21x more effective at reducing your carbon footprint than giving up flying, going veggie and switching energy provider combined” [36].

As long-term investments for retirement, pension products are also inherently reliant – more so than more short-term investments – on the sustainability of the UK and planet. Without

adequate response to the climate crisis, including action in line with Article 2.1c of the Agreement, the physical and transition risks of climate change are likely to create disruptive, rapid, unforeseen, disruptive and severe impacts to pension portfolios and the social and economic context within which pension holders hope to retire and realise their pensions.

There is a fundamental issue in continuing to talk about “consumers’ retirement journey and risk appetite” (8.10) given this broader context and material risks to environmental stability, and the operation and stability of markets that rely on all the planetary boundaries. As such, introducing equivalent rules for pension products must be a priority for the FCA in ensuring its support of national and international sustainability commitments and goals.

Sources

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