Advisers' Sustainability Group

Terms of Reference

The Advisers' Sustainability Group (**ASG**) is established to support the delivery of an improved approach in the advice sector in respect of products and services that make claims about sustainability, as well as to enable advisers to build their capabilities in this area. This should also support the FCA's regime for Sustainability Disclosure Requirements, investment labels and the anti-greenwashing rule, help to meet increased demand for products with a positive environmental or social impact, as well as supporting the UK Government's ambition to mobilise green investment, as outlined in its 2023 Green Finance Strategy.

Objectives of the ASG

Establishing an industry group is intended to have the benefit of bringing together the views and expertise of a range of market participants, resulting in a set of balanced, fair and well-considered proposals.

The ASG has the following objectives (the Objectives):

Objective 1: To develop voluntary good practice guidelines for when financial advisers are advising on the range of products that make claims about sustainability, taking account of the following:

- What good practice looks like regarding ensuring clients' needs are met, whether by the adviser or others
- The knowledge an adviser needs to advise effectively on these topics, including understanding of documents or disclosures
- 'What good looks like' for advisers approaching conversations on sustainability with clients
- How advisers might consider investors' needs and preferences, which may include labelled and unlabelled products

Objective 2: To develop recommendations on how training materials are developed in line with the good practice guidelines/materials developed under Objective 1, taking account of the following:

- How to encourage consistency and high standards among industry participants without infringing upon diversity of approach

- What financial advisers need to know to be able to advise on products that make claims about sustainability with greater knowledge and confidence
- The key topics that training materials could cover in adviser-specific training. These topics may include but are not restricted to: understanding what different sustainability-linked terms mean to aid advisers' knowledge and understanding; example questions for financial advisers to use to effectively understand client preferences; and product groups that advisers may offer.

(It is not intended that the ASG will produce actual training materials. These are for training providers to design and produce in accordance with their own style and approach).

Background

In October 2021, the UK Government published Greening Finance: A Roadmap to Sustainable Investing (the 'Roadmap'). The Roadmap set out the Government's ambition to green the financial system and align it with the UK's net-zero commitment. The first phase of this Roadmap was to ensure that decision-useful information on sustainability is available to financial market decision-makers.

In October 2022, the FCA acted on this first phase by consulting to introduce labels to help consumers navigate the market for sustainable investment products, as well as disclosure requirements including consumer-facing disclosures providing sustainability-related information in an accessible way.

As part of its work in this area, the FCA conducted research. It found that consumers want to invest in sustainable products but may struggle to understand technical terms and different types of investment strategies. While financial advisers play a vital role in helping individuals navigate the market, the FCA found that reasons for advisers not engaging in conversations about sustainability may include a lack of knowledge or understanding, not believing that sustainability is an important aspect of investment, or a fear of being accused of greenwashing.

Furthermore, general sustainability-themed training courses may not provide the specific knowledge and tools needed by advisers in applying sustainable considerations in their conversations with investors.

Desired outcomes

The aim of the ASG is to provide support to financial advisers, ensuring that retail investors' investment needs and preferences are appropriately met.

The ASG intends to work to produce guidelines and recommendations to support the following desired outcomes:

- Advisers are well-equipped to help clients get the outcomes they want, including in respect of sustainable products

- Advisers are well-prepared to understand the FCA's regime in respect of its Sustainability Disclosure Requirements, investment labels and anti-greenwashing rule
- Those providing training are informed about good practice in producing adviser-specific materials on sustainability

The ASG will keep these broader outcomes in mind when developing its materials and recommendations.

Guidelines

The ASG will aim to gain agreement on minimum baseline standards to achieve the Objectives set out above. Alongside this, the ASG should consider practical elements when making their recommendations such as:

- The key overarching consideration of this work should be to support financial advisers in their understanding of sustainability topics
- More broadly, the ASG should consider the wider players in the advice market, for example compliance consultants, paraplanners, advice firms and platform providers
- The feasibility and cost of advisers and training providers increasing their expertise in respect of sustainability topics should not discourage adoption of the good practice guidelines

Deliverables and timeline

The key deliverable for the ASG is a publication, or publications, that sets out the ASG's findings and recommendations in respect of the Objectives. The ASG should aim to publish this by Q4 2024.

Membership

Original members of the ASG are encouraged to attend all meetings (and relevant sub-group meetings) and to try to minimise occasions where they may have to send an alternative. This should ensure greater consistency of input and discussion of the ASG.

The responsibilities of the ASG's Chair, Vice-chair and Secretariat are set out in the Annex.

Engagement

The ASG Secretariat will, subject to confidentiality (see below), publish on a public website these Terms of Reference and a summary of ASG meetings, its recommendations and final outputs.

The Chair and Vice-Chair will also accept informal feedback and proactive comments from the advice community and other key stakeholders. Where necessary, outreach and engagement may be facilitated by appropriate industry bodies.

The Chair, Vice-Chair, Secretariat and all members of the ASG will each be responsible for ensuring that information they hold or control related to the ASG

is stored securely and in compliance with relevant confidentiality and GDPR/data protection law (discussed further in the 'Confidentiality' section).

Frequency of meetings

It is expected that the ASG will meet, at a minimum, on a monthly basis to develop its recommendations and discuss progress. The ASG may establish sub-groups, reporting to the main ASG, to investigate specific issues and develop specific recommendations or documents for publication.

Interaction with the FCA

The FCA has established the ASG as an industry-led group. The FCA will act as an active observer to the ASG. The FCA may input into the membership of the ASG and may intervene if it deems it necessary to help the ASG focus on the Objectives.

The FCA anticipates that the role of the ASG will end once its Objectives have been achieved. The FCA reserves the right to dissolve the ASG at any time.

Confidentiality

Meetings will be conducted under the Chatham House rule, such that comments, dialogue and feedback within the ASG meetings will not be attributable to individuals or the organisations they represent or with which they are associated. The Chatham House rule will also apply in any situation where a formal conversation occurs relating to the work of the ASG.

As noted in the 'Engagement' section, subject to preserving confidentiality as appropriate under these Terms of Reference, general discussion of the work of the ASG is encouraged for the purposes of facilitating industry engagement and gathering feedback.

In the course of its work, members of the ASG may obtain information (whether or not in written form) from, or relating to, the FCA and its internal affairs, and information from, or about, third parties. This information may be subject to obligations of confidentiality, including s.348 of the Financial Services and Markets Act 2000 (FSMA) which prohibits the disclosure of information unless certain statutory gateways are met. Disclosure of information in breach of s.348 may constitute a criminal offence. Further, information may contain personal data which is subject to the requirements of the UK General Data Protection Regulation and the Data Protection Act 2018.

Members therefore undertake not to disclose any information which they have received in the course of their work as part of the ASG without first checking whether it is confidential in nature (including whether it contains personal data) or has been provided in confidence, and whether consent is required before disclosure can take place. The FCA is under no obligation to provide such consent.

ASG members are responsible for ensuring that, where they share information with third parties, those recipients are fully aware of their obligations of confidentiality with respect to that information (particularly where it may be

subject to the restrictions under s.348 of FSMA) and respect the confidentiality and sensitivity that attaches to the work of the ASG, the FCA and the materials in question. ASG members should consult with their legal and/or compliance teams as appropriate should they require further advice on ensuring that they observe data protection law and preserve confidentiality.

Competition law and other relevant laws

Members of the ASG must ensure they understand and comply with their responsibilities under all applicable competition laws, including UK and EU competition law. To the extent any ASG member is unclear of these, they should consult the legal and/or compliance teams at their respective institution for further guidance (or external counsel if necessary).

ASG members and persons participating in meetings should familiarise themselves in particular with the concept of strategic or competitively sensitive information and not unilaterally disclose or exchange it under any circumstances. If, during an ASG meeting, a member has concerns about the discussion from a competition law compliance perspective, the members should make their concerns known and the discussion giving rise to such concerns should cease.

Members of the ASG are expected to comply with all relevant UK law when undertaking their work with the group.

Conflicts of interest

The FCA recognises that some members may have commercial or other relationships with each other. The broad membership of the group, as well as the appointment of an independent chair, is designed to mitigate the influence of any one individual. Members of the ASG should consider if any potential or actual conflicts of interest may impinge on their ability to objectively carry out their role in the ASG. Where a member identifies a material conflict of interest, they should make this known to the Chair and Vice-Chair, who will then decide whether any mitigating action is required.

Governance

Where individual members of the ASG offer conflicting points of view and opinions, the Chair will endeavour to make recommendations that represent the consensus of the ASG and fairly consider the opinions of the various stakeholder groups represented. In situations where a consensus cannot be reached, the Chair will make the recommendation of the majority, but the Secretariat will capture dissenting points within the meeting minutes.

The FCA will not submit formal views but will participate in discussions. The ASG's work and recommendations will not bind its members or the FCA.

Disclaimer

Neither the FCA nor any of its staff or representatives are responsible for any views or statements expressed by the ASG or its members.

Any materials or recommendations produced or published by the ASG have not been endorsed or approved by the FCA. Individual members of the ASG and those regulated by the FCA should take steps to assure themselves that (to the extent applicable) they are complying with the FCA's rules. The FCA retains full discretion in applying its rules, notwithstanding any materials or recommendations produced or published by the ASG.

The activities, discussions and outputs of the ASG should not be taken as an indication of future policy by the FCA. The FCA's policy position will continue to be developed and communicated in accordance with its usual governance and public consultation procedures.

Annex

The **Chair** has the following responsibilities:

- Determine membership of the ASG with input from the Vice-Chair and Secretariat
- Set overall direction of the ASG in line with the Objectives
- Determine the ASG's agenda (with input from members) and guide the meetings
- Determine scope of any sub-groups and their members
- Where relevant, determine how to mitigate any conflicts of interest declared by members
- Seek reports and updates from any sub-groups
- Seek to establish consensus view within the ASG
- Engage with the wider community of stakeholders beyond the ASG to inform its work
- Accountable for delivery of publication(s) in line with the Objectives
- Alert the FCA to any concerns or issues with the ASG including delays to delivery

The **Vice-Chair** should support the Chair in their responsibilities. Where the Chair and Vice-Chair disagree as to the best course of action or decision, the Chair will make the final decision. The Chair and Vice-Chair may agree if and how to divide responsibilities between themselves, but the Chair will remain accountable for the ASG delivering the Objectives.

The **Secretariat** has the following responsibilities:

- Support the Chair and Vice-Chair in their responsibilities, including enabling engagement with wider stakeholders beyond the ASG
- Where relevant, determine how to mitigate any conflicts of interest declared by members
- Organise meetings and ensure sub-groups organise meetings
- Take minutes of the ASG meetings and ensure sub-groups are minuted (subject to the Chatham House rule)
- Use its website to host public information on the ASG and its publications (see Engagement section)
- Act as the central portal for all information relating to, and materials created by, the ASG, retaining that information on secure systems and ensuring that it is handled in compliance with relevant confidentiality and GDPR/data protection law (discussed further in the 'Confidentiality' section).