AFM Guidelines

Guidelines on Sustainability Claims

Guidelines for financial institutions and pension providers making sustainability claims

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AFM

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1 Management summary

Sustainability is a supervisory priority for the Dutch Authority for the Financial Markets (**AFM**). In its supervision, the AFM focuses, among other things, on promoting transparency regarding the impact that market participants have on their surroundings.

Market participants are increasingly informing their members or customers about sustainability. The AFM considers transparency on sustainability aspects of great importance and is therefore positive towards the growing attention to this among market participants. Information should be correct, clear and not misleading. This also applies to sustainability claims.

Sustainability claims refer to all expressions related to sustainability provided by market participants to describe and promote the entity or its products and services. Sustainability claims appear in non-mandatory information, such as marketing and voluntary website information, and mandatory information, such as information required by the Sustainable Finance Disclosure Regulation (SFDR). Sustainability claims can be about the market participant itself as well as about individual products and services.

With these Guidelines, the AFM aims to contribute to more transparency regarding sustainability claims, allowing customers of financial institutions and members of pension providers to better understand the sustainability aspects of products and market participants.

By means of principles, further explanation, and practical examples, these Guidelines give guidance to market participants on how to correctly implement generic information requirements.

Principle 1: Accurate, representative, and up to date

- Ensure that sustainability claims are factually accurate and not contradictory to other information.
- Ensure the sustainability claim paints an accurate picture and is representative of the product or market participant.
- Keep sustainability claims up to date. Dated information gives insufficient insight or creates a false perception.

Principle 2: Specific and substantiated

- Specify what a sustainability claim means for the market participant or the product.
- Ensure that sustainability claims are substantiated, backed up by relevant facts and a cogent explanation. If a claim cannot be substantiated, do not make the claim.

Principle 3: Understandable, appropriate, and easy to find

- Describe sustainability claims in understandable language. Avoid using difficult terms and explain complex concepts, including sustainability terminology.
- Use appropriate sustainability terms. Keep in mind the readers' expectations.
- Ensure that relevant information related to sustainability claims is easy to find. Make sure that different information carriers are mutually cohesive.

2 Introduction

The AFM is committed to fair and transparent financial markets. As an independent conduct regulator, we contribute to sustainable financial well-being in the Netherlands. The AFM does this by supervising adherence to the laws and regulations that financial institutions and pension providers (**market participants**) must comply with when providing information to consumers and (potential) clients (**customers**) respectively and participants, former participants, partners, former partners and pension beneficiaries (**members**) respectively.

2.1 Reason for these Guidelines

Sustainability is high on the agenda of policymakers, legislators and society. Sustainability is also a supervisory priority for the AFM.[1] In its supervision, the AFM focuses, among other things, on promoting transparency concerning the impact that market participants have on their surroundings.

Market participants are increasingly informing their customers or members about sustainability. The AFM considers transparency on sustainability aspects of great importance and is therefore positive about the growing attention market participants are paying to this topic. The AFM supervises disclosures in the financial sector and does the same for sustainability claims.

Sustainability is playing an important and increasing role in choices made by members and customers. Amongst other factors, they base their choices on sustainability claims about a product or the market participants. In doing so, they need to be confident that the sustainability claims are fair and in line with their expectations. Consumer research[2] shows that sustainable investors rely heavily on non-mandatory information[3] from providers, including marketing information and website texts, and often have expectations of sustainability aspects of products that do not match reality.

<u>Financial institutions</u>
It is important that financial institutions are transparent about sustainability.[4] Information should be correct, clear, and not misleading. Failure of sustainability claims to meet these information requirements can have negative consequences. For instance, it can reduce customer trust in sustainability claims, leaving them less motivated to make sustainable choices. It can also lead to unfair competition. Financial institutions that invest sustainably and properly inform customers about it may be disadvantaged compared to financial institutions that make sustainable promises and fail to deliver on them or mislead customers through their communication. This can have a negative impact on the sustainability transition and on trust in the financial sector. It can also lead

[1] AFM Agenda 2023, https://www.afm.nl/nl-nl/over-de-afm/verslaglegging/agenda.
[2] In close-up: sustainable investors, AFM 2023, https://www.afm.nl/~/profmedia/files/afm/trendzicht/sustainable-investors.pdf.
[3] Non-mandatory information includes all information that does not have to be provided based on a legal obligation.
[4] In addition to the scope of these Guidelines, there are also other cases in which adequate disclosures relating to sustainability (claims) must be met. For instance, issuers are expected to ensure that sustainability claims are adequately substantiated, complete and balanced, as well as specific enough to substantiate the information. This may be the case, for example, under the Market Abuse Regulation, the Prospectus Regulation and the legal requirements with regards to the management report.

to product offerings and product advice that does not match customers' sustainability preferences (*misselling*).

Pension providers

Pension providers also make use of sustainability claims towards employers and their members. Pension providers must adhere to the standard that information must be correct, clear, and balanced. Through sustainability claims, pension providers account to members for the impact of their investments on society and the environment. Employers can consider this information when choosing a pension product. Members need this information to have a say on their pension provider's investment policy. If sustainability claims do not meet the disclosure standard, members lack the necessary information to have this conversation.

To avoid negative consequences and create more clarity, the AFM wants to provide guidance to market participants in making sustainability claims, through these 'Guidelines on sustainability claims' (**the Guidelines**).

2.2 Purpose and use of the Guidelines

With these Guidelines, the AFM provides guidance on the use of sustainability claims. By means of principles, further explanation, and practical examples, the AFM provides guidance to market participants on how they can correctly implement the generic information requirement that information must be 'correct, clear and not misleading', and the requirement that information must be 'correct, clear and balanced' applicable to pension providers.[5] The extent to which a sustainability claim meets the information requirements depends on the facts and circumstances of the specific case.

The three principles of these Guidelines complement each other. There may therefore be some overlap. The examples serve to illustrate sustainability claims that may not meet the legal information requirements. They are inspired by situations the AFM has encountered in practice. Examples may therefore relate to a specific sector. However, the principles apply to all sectors. Some examples are also included that can be seen as good practices. Good practices are intended as examples of the correct use of sustainability claims by a market participant. They are not meant to be prescriptive; there may be other ways to meet the information requirements.

With these Guidelines, the AFM aims to contribute to more transparency regarding sustainability claims, allowing customers of financial institutions and members of pension administrators to better understand the sustainability aspects of products, services and market participants.

What are guidelines?

Guidelines are a written policy statement in which the AFM aims to provide direction and clarity to market participants. Guidelines provide, for instance, recommendations, guidance or additional explanation. By means of guidelines, the AFM can also give behavioural and other guidance to the market. The purpose of guidelines is to inform a specific group of persons or to give insight into a certain subject.

[5] Respectively, Section 4:19(2) of the Financial Supervision Act and Section 48 of the Pensions Act.

What is the status of these Guidelines?
These Guidelines do not have the status of laws and regulations. Market participants themselves are responsible for compliance with laws and regulations. These Guidelines are an aid in this respect. The AFM has previously published a Disclosure Policy Rule.[6] The Disclosure Policy Rule is a compilation of past interpretations by the AFM. Unlike the Disclosure Policy Rule, these Guidelines do not look backwards. With these Guidelines, the AFM provides insight into how the AFM looks at the relatively new topic of sustainability in the context of the existing information requirements.

2.3 Scope: meaning of sustainability claims and scope of the Guidelines

These Guidelines relate to sustainability claims. Sustainability claims refer to all expressions related to sustainability provided by market participants to describe and promote the entity or its products and services. Sustainability claims occur in statements, assertions, information, policies, images, strategies, labels, certificates, ratings, targets, and the like. Sustainability claims occur in non-mandatory information, such as marketing and voluntary website information, and in mandatory information, such as information required by the SFDR.[7] Sustainability claims can be about the market participant itself as well as about individual products and services.

Sustainability claims can relate to the entity's business operations, products, or services they offer and policies regarding loans and investments. In practice, sustainability policy is also often described as the policy on national or international corporate social responsibility.

The Guidelines cover sustainability claims that market participants make voluntarily (non-mandatory information) as well as claims as part of mandatory information, to the extent that the relevant specific legislation does not already prescribe how the claim should be designed.[8]

The Guidelines do not introduce any new obligations. They provide guidance on proper handling of existing information requirements through principles and examples.

The concept of sustainability
'Sustainability' is a broad term. UN resolution 66/288 of 2012 defines sustainable development as the 'development towards an economically, socially and environmentally sustainable future for our planet and for present and future generations'.[9] In the financial sector, the terms ecological, social and governance **(ESG)** are commonly used to classify sustainability issues.[10]

Ecological factors may include climate change mitigation and adaptation, water and marine resources, resource use and the circular economy, pollution, biodiversity and ecosystems. Social

[6] The AFM Disclosure Policy Rule dated 31 December 2018, 'What does the AFM pay attention to when assessing disclosures by financial companies about financial products and services?'
[7] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.
[8] Many market participants are required to provide specific sustainability disclosures, for example under the SFDR. This must be done in parts in exact prescribed manner. In those cases, the scope to follow this guidance may be limited. It is up to market participants to take a critical look, within the mandatory disclosures, whether there is room to follow the principles of these Guidelines when communicating to customers or members.
[9] United Nations General Assembly, Resolution A/Res/66/288 of 27 July 2012, RIO+20. See also Tweede Kamer, vergaderjaar 2018 - 2019, 35 247, nr. 3, Memorie van Toelichting bij het Wetsvoorstel ruimte voor duurzaamheidsinitiatieven, p. 11.
[10] Corporate sustainability reporting Directive (CSRD), Publications Office (europa.eu), p. 23-24.

factors may include equal treatment and opportunities, diversity, working conditions, health and safety, respect for human rights, fundamental freedoms, democratic principles, and standards enshrined in the International Bill of Human Rights and other major United Nations human rights treaties. Governance factors may include the role, composition and expertise of management and supervisory bodies regarding sustainability issues, characteristics of internal control and risk management systems, business ethics and culture, fair trade, operations and commitments, and management and the quality of stakeholder relations.[11]

The concept of sustainability in these Guidelines is not limited to any definitions from the SFDR, MiFID II,[12] the EU Taxonomy[13] or other sectoral laws and regulations. These directives or regulations either do not include definitions or relate to a particular product context or sector (such as investments or the environment). Sustainability claims by market participants can in practice cover the full breadth of the concept of sustainability.

<u>Information requirements</u>
The AFM supervises adherence to information requirements by financial institutions and pension providers. Sustainability claims by financial institutions must comply with generic information requirements from the Financial Supervision Act (Wet op het financieel toezicht - **Wft**).[14] It follows that information must be correct, clear and not misleading. For investment fund managers, this obligation follows from the Cross-Border Distribution of Funds Regulation (**CBDF**).[15] Financial companies must also comply with the Unfair Commercial Practices Act (Wet oneerlijke handelspraktijken - **Wohp**).[16] The Wohp defines a misleading commercial practice as the act of giving factually incorrect or misleading information or the omission or failure to provide essential information in a clear or comprehensible manner.[17] Pension providers must comply with the information requirements standards set out in the Pensions Act (Pensioenwet - **Pw**).[18] It follows that information must be correct, clear and balanced. In these Guidelines, the AFM provides principles for how market participants can comply with these standards when making sustainability claims.

These Guidelines cover the provision of information to customers and members under these regulatory requirements. The Guidelines do not introduce any (new) legal definitions related to sustainability.

The Guidelines are partly based on previous policy statements such as the AFM Disclosure Policy Rule mentioned above, the European Commission's Guidance on the Unfair Commercial Practices

[11] For a comprehensive list of sustainability factors, see CSRD, Official Journal of the EU, L 322, (europa.eu), pp. 51-52.
[12] Delegated regulation (EU) 2021/1253 of the Commission, dated 21 April 2021.
[13] Regulation on establishing a framework to promote sustainable investments.
[14] Section 4:19(2) Wft.
[15] Article 4 of Regulation (EU) 2019/1156 of the European Parliament and of the Council of 20 June 2019 on facilitating the cross-border distribution of collective investment undertakings and amending Regulations (EU) No 345/2013, (EU) No 346/2013 and (EU) No 1286/2014.
[16] The supervision of the Wohp is laid down in the Consumer Protection Enforcement Act (Whc). In it, the AFM is designated as the competent supervisor for financial services or activities. For all other services, the ACM is the competent regulator. For these other services, therefore, not this AFM guideline but the ACM guideline on sustainability claims applies: https://www.acm.nl/nl/publicaties/leidraad-duurzaamheidsclaims.
[17] Sections 193c and 193d of Book 6 of the Civil Code.
[18] Section 48 Pw.

Directive[19] and the ESMA Supervisory Briefing on sustainability risks and disclosures in the area of investment management[20], and the Guidelines on marketing communications under the Regulation on cross-border distribution of funds[21]. When assessing sustainability claims in its supervision, the AFM will also consider case law and legislative amendments that appear after the publication of these Guidelines.

[19] Guidelines on the interpretation and application of Directive 2005/29/EC of the European Parliament and of the Council concerning unfair business-to-consumer commercial practices in the internal market dated 29 December 2021 (EUR-Lex - 52021XC1229(05), p. 72-84.
[20] ESMA Supervisory Briefing on sustainability risks and disclosures in the area of investment management dated 31 May 2022, ESMA 34-45-1427.
[21] ESMA Guidelines on marketing communications under the Regulation on cross-border distribution of funds, dated 2 August 2021, ESMA 34-45-1272.

How to make a fair sustainability claim

Principles for financial institutions and pension providers

Accurate, representative, and up to date

- Ensure sustainability claims are **factually accurate** and not contradictory to other information.
- Ensure the sustainability claim paints an accurate picture and is **representative** of the market participant or product.
- Keep sustainability claims **up to date**. Dated information gives insufficient insight or creates a false perception.

Specific and substantiated

- **Specify** what a sustainability claim means for the market participant or the product.
- Ensure that sustainability claims are **substantiated**, backed up by relevant facts and a cogent explanation. If a claim cannot be substantiated, do not make the claim.

Understandable, appropriate, and easy to find

- Describe sustainability claims in **understandable language**. Avoid using difficult terms and explain complex concepts, including sustainability terminology.
- Use **appropriate** sustainability terms. Keep in mind the readers' expectations.
- Ensure that all relevant features related to the sustainability claim are **easy to find**. Make sure that different information carriers are **mutually cohesive**.

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3 Explanation of principles

3.1 Principle 1: Accurate, representative, and up to date.

3.1.1 Ensure sustainability claims are factually accurate and not contradictory to other information.

Sustainability claims must be accurate. Accurate means that the information corresponds to reality. Sustainability claims can also be incorrect if contradictions occur in the information. This applies both within a document and between different information carriers.

Example 1: fossil industry investments
A market participant posts on its website that it no longer invests in the fossil fuel industry. However, the subsequent annual report shows that the market participant does invest in the fossil fuel industry, through investments in oil and gas companies.

Explanation:
In this case, the market participant makes a sustainability claim that contradicts other information provided. The two statements are therefore contradictory. In case the market participant means to say that it will no longer make *new* investments in the fossil fuel industry but will maintain its existing investments (for the time being), the claim should make this clear to readers.

Example 2: policy on International Corporate Social Responsibility (ICSR)
A market participant states, as part of the entity-level disclosures required by the SFDR, that it does not consider adverse effects of investment decisions on sustainability factors. At the same time, this market participant publicly endorses an ICSR policy that actually does take negative effects of investment decisions on sustainability factors into account.

Explanation:
A market participant cannot simultaneously consider and disregard adverse effects of investment decisions on sustainability factors. These two statements are therefore contradictory.

Communication on the SFDR should also be correct. In general, an SFDR classification in itself should not be presented as substantiation for a certain degree of sustainability of a product. Using an SFDR classification as a means of promoting products is undesirable. For many readers, the meaning of legal articles from the SFDR will not be clear. As a result, readers are easily misguided.

The SFDR is a transparency regulation. Market participants must apply SFDR classifications to determine which transparency requirements they have to comply with. The classifications concern a distinction between products with sustainability objectives and sustainability characteristics. The level of ambition of those objectives or features can vary widely. Therefore, the classifications by themselves do not provide a conclusive indication of a certain sustainability level of the product.

The underlying information provided on the basis of the SFDR provides insight into the actual sustainability aspects of the product. This information can be used in sustainability claims or to substantiate such claims.

When providing information on classifications of products under the SFDR, it is important not to give the impression that such classifications have been assigned by a third party. The SFDR classifications are not a sustainability label; the market participant itself assesses, on the basis of the SFDR, which classification is applicable.

Example 3: SFDR classification used as a seal of approval and marketing tool
A market participant posts on its website that all the investment funds it invests in are 'under the SFDR Article 9 label'. It states that this means that all funds are of the highest sustainability category and therefore promote sustainable growth.

Explanation:
In this case, a market participant makes a sustainability claim based on a non-existent label. The classification of a fund under Article 8 or 9 SFDR is not a sustainability label and therefore should not be presented as such. Investment fund providers themselves classify whether a product falls under Article 8 or Article 9 SFDR obligations.

In addition, this example incorrectly suggests that products subject to Article 9 obligations under the SFDR necessarily promote sustainable growth. However, this depends on the underlying characteristics of the product and is not an automatic feature of an Article 9 classification. Therefore, such a claim cannot be substantiated by referring to an SFDR classification.

Example 4: SFDR classification presented as label
A market participant places on its website alongside its investment funds a homemade green seal that reads 'SFDR Article 8'.

Explanation:
By using this seal, the market participant wrongly creates the impression that the SFDR classification can be seen as an official label. The classification of a fund under Articles 8 or 9 of the SFDR is not a sustainability label and therefore should not be presented as such. In addition, with this seal, the wrongful impression may be given of third-party verification of the level of sustainability of the products in question. The reader is thus misled about the meaning of SFDR classifications.

3.1.2 Ensure the sustainability claim paints an accurate picture and is representative of the product or market participant.

Sustainability claims should accurately reflect the relative sustainability efforts and impacts of the product or market participant. Besides positive sustainability aspects, any negative aspects should also be named in order to portray an accurate picture. It is also important not to overemphasise positive aspects if these are only marginal in reality. Emphasising minor sustainability benefits when a product has a large or other negative impact on sustainability aspects can be misleading.

It is not representative to substantiate general (positive) sustainability claims solely with sustainability efforts regarding business operations (such as making the office building more sustainable). This is because most of the impact of market participants in the financial sector on sustainability factors comes from investment and financing activities. While market participants may also have an impact as a result of business operations, this impact is relatively small. A market participant may of course communicate about its sustainability efforts in its business operations. However, when this is used to substantiate a sustainability claim, it should be placed in the broader context of the market participant’s overall sustainability impact so that the reader gets an accurate picture of the market participant's actual impact and relative sustainability effort.

Example 5: non-representative picture of impact on sustainability factors
A market participant posts at the top of the sustainability page on its website that sustainability is of great importance to it. To substantiate this, the market participant states that solar panels have been installed on the office building. The market participant does not say anything else about the role of sustainability in its investment policy.

Explanation:
In this example, while the market participant makes a sustainability claim, it does not provide insight into its main channel of influence on sustainability. The sustainability impact that the market participant makes by installing solar panels is relatively limited compared to the positive or negative sustainability impact the participant makes through its investment policy. This may lead to a misrepresentative picture for readers.

Good practice 1: representative picture of sustainable impact
A market participant makes the claim that it pursues sustainable impact. It mentions both its investment policy and its efforts to improve the sustainability of its business operations by means of placing solar panels on the roof and recycling company waste. In making this claim, the market participant immediately emphasises that its financing activities have a much greater impact on sustainability than Its business operations.

Explanation:
This claim is representative because the reader is provided with a clear picture of the relative impact of the market participant's various efforts on sustainability. This enables the reader to assess the value of the sustainability claim. To make this claim more insightful, the reader could be referred, in an accessible way, to how the market participant makes concrete impact through its investments.

Besides textual sustainability claims, audiovisual sustainability claims should also portray an accurate picture and be representative of the product or market participant. Unrepresentative use of prominent audiovisual claims can create the wrong impression. It is therefore important for market participants to be careful when using audiovisual communications related to sustainability, such as images of wind turbines. Here, the context in which the image is placed and the suggestion this creates, in relation to the actual sustainability efforts and impact of the market participants, are important factors. Be aware of the overall impression that can be created by the combination of words and images.

Example 6: non-representative visual sustainability claims
A market participant places a large image of a rainforest on the main page of its website. At the same time, it appears that this market participant invests relatively heavily in palm oil and companies that cut down rainforests for production.

Explanation:
In this case, the visual claim does not match the actual impact of the market participant on rainforests. The fact that the market participant places the image of a rainforest prominently on its main page may give customers the impression that it has sustainability and combating deforestation as its main priority. However, the market participant's actual investments appear to be at odds with this.

3.1.3 Keep sustainability claims up to date. Dated information gives insufficient insight or creates a false picture.

In order to provide customers and members with the right information, it must be up to date. If sustainability claims are based on outdated information, this can give an inaccurate picture of the product or market participant. Therefore, market participants should ensure that the sustainability claim continues to paint an accurate picture of the current situation. If it is likely that this is no longer the case, the information is outdated and should not be used. For example, it is important that any sustainability scores used to describe the sustainability content of a product or of an economic operator are based on a period that is representative of current practices.

Example 6: outdated ESG rating
A market participant highlights that it scores an 8.5 on sustainability based on a sustainability rating. When the client clicks on this score, it turns out that this ESG rating was issued five years earlier. Meanwhile, more recent ratings are available.

Explanatory example
A sustainability rating that is five years old is no longer up to date. The use of outdated information may give readers a wrong impression of the market participant. Market participants should be expected to use recent ESG ratings or scores, if available. In addition, in the case of outdated or relatively outdated information, the market participant should clearly display to what point in time the information applies. In this case, for instance, by prominently stating the date the rating was issued.

3.2 Principle 2: Specific and substantiated.

3.2.1 Specify what a sustainability claim means for the product or market participant.

A concrete sustainability claim provides clear insight into the relevant characteristics of the product or market participant. To this end, claims can be supplemented with clear specifications or explanations regarding the sustainability aspects of the product or market participant. Vague descriptions or sustainability claims that do not include all necessary information may give a wrong, unbalanced, or incomplete picture of the product or market participant. This can lead to unclear and/or misleading information to readers. Specifying sustainability claims also means providing information with context so that readers can correctly appreciate the claim. Ensure that the information remains sufficiently concise so that readers retain an overview. Further substantiation and explanation can be presented in layers if necessary (see also below).

Example 8: unclear share of sustainability in investment policy
A market participant states that it considers sustainability important. In the brief note, the market participant writes: 'part of our investments have been made according to our sustainable investment policy.'

Explanation
This is not sufficiently specified. It is not clear to the reader how big 'part of' is. As a result, it is not clear what this sustainability claim entails. In addition, a description of the sustainable investment policy or a direct reference to it is missing.

Example 9: unspecified role of sustainability in the investment policy
A market participant states that sustainability is not a strict requirement in the investment policy, but it can be an additional benefit.

Explanatory example
This explanation is not specific, as it is not clear to readers what role sustainability plays in the market participant’s investment policy. Moreover, it is not concrete what benefit is being talked about and when this benefit would manifest itself.

Good practice 2: specified insight into sustainable investments
A market participant states on its website that it invests part of its assets in a responsible manner. In doing so, it specifies in the claim how much of the invested assets contribute to sustainable objectives, both in absolute figures and in proportion to the market participant's total invested assets. It also elaborates on the responsible investments by indicating how much of it has been invested towards each specified sustainable development goal. Readers are further informed about the significance of those sustainable goals using an interactive webpage with visual aids, including examples of investee companies.

Explanation:
By providing concrete figures, the ratio to total invested assets, and an outline of the broader context, readers get a clear picture of the extent to which the market participant is investing responsibly and pursuing sustainability goals. In addition, the elaboration in the form of explanations and examples makes it clear to the reader what is being invested in. The use of an interactive webpage and visual aids promotes overview and accessibility for the reader.

3.2.2 Make sure sustainability claims are substantiated, backed up by facts and a cogent explanation. If a claim cannot be substantiated, do not make the claim.

Sustainability claims should be supported by facts, so that readers can verify what the sustainability claim is based on. Substantiate sustainability claims with up-to-date information relevant to the claim, using sound, independent, verifiable and generally recognised evidence whenever possible. If a claim cannot be substantiated, do not make the claim.

To the maximum extent possible, the substantiation should be placed with the claim itself. In principle, each statement should meet the information requirements independently. However, in some cases, more explanation is desirable than can be given with the claim itself due to a lack of space, or in order not to overwhelm the reader with information. In such cases, it is important that the key elements to substantiate the claim are immediately visible to the reader. Further substantiation can then be presented to the reader in layers.

When making use of layers, it is important that the further substantiation is easy to find (see also principle 3).

Example 10: substantiation with non-relevant information
A market participant substantiates the sustainability claim that it is sustainable by focusing mainly on how it generally deals with financial risks and in which *asset classes* it invests, without making any link to sustainability aspects.

Explanation:
Here, the market participant uses non-relevant information to substantiate its sustainability claim. The information given is not related to the market participant's sustainability policy. Substantiating a sustainability claim with information that is not sustainability-related can put readers on the wrong track.

In the case of sustainability claims that relate to medium or long-term sustainability objectives, including climate or biodiversity commitments, make clear how these objectives will be achieved, what the measurable interim targets are and how the objectives relate to the current situation. If relevant, also make clear whether the objective is based (in part) on uncertain or unproven technologies. This can be done directly in the accompanying text to a claim or through targeted reference to further explanations. These explanations themselves should obviously also comply with the principles of these Guidelines. When a market participant does not yet have a clear picture of how the objective will be achieved, this is relevant information for the reader and should be clearly stated. The market participant should then indicate that this is an ambition that will be specified in the foreseeable future and should indicate by when this will happen.

Great uncertainty surrounds the effectiveness and reliability of offsetting CO_2 emissions, for instance through the use of voluntary carbon credits (better known as *carbon credits*). Therefore, in climate commitments such as net-zero targets, always make clear to what extent both emission reduction and offsetting are being pursued. When using carbon credits, be transparent about how uncertainties regarding the reduction outcome of the credits are taken into account. In general, strong quantitative claims should not be based on uncertain carbon credits.

Example 11: net-zero target
A market participant has a sustainability page on its website that includes a net-zero target by 2050. However, the market participant does not explain how it will achieve this target, whether it has intermediate targets and how this sustainability target compares with the current situation.

Explanation:
Without substantiation, it remains unclear for readers what the implications of this net-zero objective are. Only when a market player substantiates how it will achieve this objective, what the intermediate targets are and how far it is currently removed them will the stated objective become meaningful to readers. With a clear path, intermediate targets and insight in the current situation, the reader can form a judgment on the feasibility of the stated objective and, if necessary, hold the market participant accountable when intermediate targets are not met.

Good practice 3: CO_2-neutral target
A market participant has a sustainability target that, by 2040, all investments will be CO_2-neutral. Together with this sustainability target, the participant makes it clear that its primary focus is on reducing CO_2 emissions, giving two intermediate targets: 30% reduction by 2025 and 70% reduction by 2030. The accompanying text also explains how it intends to take steps or, where not yet entirely clear, by when it will communicate further on this.

Explanation:
Setting measurable intermediate targets gives readers insight into the substantiation of the sustainability target. If the market participant indicates how far off it currently is from the target, this is also conducive to the understandability of the sustainability claim.

Example 12: biodiversity pledge
A market participant claims to be committed to biodiversity, citing its goal of preventing biodiversity degradation by 2050. In support of this, the market participant mentions on its website, without further explanation, that it has signed the *Investor Statement Finance for Biodiversity Pledge*, thereby contributing to the preservation and enhancement of nature and biodiversity.

Explanation:
The communication lacks an explanation of the meaning of the pledge. It also lacks an explanation of how the target will be achieved. A 2050 target is a long-term goal. Without an explanation of the intended path towards this long-term objective, it is impossible to verify whether the market participant will stick to its communicated objective.

If sustainability claims are linked to third-party assessments or certifications, such as ESG ratings or scores, it is important that the market participant explains what this certification, rating or score means, what it is based on and on what scale the rating or score moves, and by whom it was issued. The average consumer or participant cannot be expected to know codes of conduct, labelling schemes, certificates, or logos.

Example 13: ESG ratings without substantiation
A market participant claims on the front page of its website that it scores a '9' for sustainability. The market participant does not explain to which rating this figure refers.

Explanation:
When placing ESG ratings on a website, it is important that the market participant substantiates this rating. Without substantiation, it is impossible to ascertain what the rating means, by whom and when it was issued and on what scale it moves.

Example 14: ESG ratings without a scale
A market participant posts various ESG ratings related to the market participant on its website. It does not post the scale on which these ratings move or the significance of the ratings.

Explanation:
In this case, there is no explanation or substantiation of the ESG rating. Without an explanation or substantiation, readers cannot assess what the score means for the market participant's sustainability rating.

Good practice 4: insight into sustainability ratings
A market participant has made a visual overview available on its website of all sustainability ratings related to the market participant. Each rating shows the year of the rating, the scale on which the rating is based and a brief explanation of what the rating entails. A clear link has been added, allowing readers to easily find more information about the rating.

Explanation:
In this case, the sustainability ratings are well supported by up-to-date and relevant information. In addition, readers gain an understanding of what the different ratings mean, thanks to the market participant's attention to helping readers navigate its communication, using visual insight and clear information.

3.3 Principle 3: Understandable, appropriate, and easy to find.

3.3.1 Describe sustainability claims in understandable language. Avoid using difficult terms and explain complex concepts, including sustainability terminology.

If a market participant makes a sustainability claim, the claim must be understandable to readers. Complex sustainability information of a technical nature can be unclear and therefore misleading to readers. It is therefore important to communicate sustainability claims in understandable language. Here, it is important that sustainability claims contain as few difficult terms (including legal jargon) as possible, that they are presented as simply as possible and that important information is presented as explicitly as possible. If it is nevertheless necessary to use complex terms and concepts, it is important that these are supplemented with clear explanations. Consider the target audience when making sustainability claims. To find out whether readers understand certain terms, it can be useful to test the communication with readers.

Example 15: vague and complex language
A market participant reports sustainability information under the SFDR. It says: 'In determining the investment policy, the strategic policy is the starting point of the policy whereby the responsible investment is determined for each category of investment, depending, among other things, on the possibilities of implementation.'

Explanation:
This is a vague and complex sentence with no explanation of certain terms. This makes it unclear to readers how the sustainable investment policy is established and what it means in practice.

3.3.2 Use appropriate sustainability terms. Keep in mind the readers' expectations.

When making sustainability claims, it is important to use appropriate sustainability terms. Misuse of these sustainability terms can lead readers astray. Market participants are therefore expected to handle the use of these terms with care and to take the readers' expectations into account. Research among the target audience can be a good tool for insight into readers' expectations when using specific terms.

To avoid confusion and create clarity, it is important that sustainability terms such as 'ESG', 'green', 'sustainable' and 'social' and related terms are only used in claims when they define the product or market participant. When doing so, explain what the term means and make sure that this explanation is complete enough so that the term can only be interpreted in the intended way. If the term defines only part of (the investments of) the product or market participants, make this clear to the reader.

In case a sustainability claim relates to the 'impact' of an investment, it is important that terms like 'impact' or 'impact investing' or any other impact-related terms are only used for investments that aim to generate a measurable and positive sustainability effect.

3.3.3 Ensure that all relevant features related to the sustainability claim are easy to find. Make sure that different information carriers are mutually cohesive.

Relevant information related to the sustainability claim should be easy to find by readers. If relevant information in or in respect of a sustainability claim is shrouded by less relevant information, this can result in the relevant information no longer being easy to find for readers. Therefore, ensure that the relevant sustainability information is easy to find within the structure of the claim.

It is important that the information carriers are well structured. The chosen structure (paragraphs, headings) should be well suited to the needs of the readers. The AFM expects market participants to think about how readers should navigate through information.

Sustainability claims should also be mutually cohesive. When information or additional information is not placed together, it is important that this additional information is easy to find for the readers. Market participants can take care of this by adding links, pop-ups or an informative box near the sustainability claim.

Further information in online communication is in any case easy to find if you can click directly on a link to the relevant information and this reference is clearly visible. Keep in mind that, in mandatory disclosure documents, cross references are not always allowed.

Example 16: complex, lengthy policy documents
A market participant claims on its website that sustainability plays an important role in the investment process. This is further explained exclusively in a 45-page policy document, which describes in several places, scattered throughout the document, how sustainability factors are integrated into the investment process.

Explanation:
Sustainability information is not sufficiently easy to find here because readers cannot be expected to find all the essential information in a document of this size. Instead of long documents in which readers have to find the important information themselves, market participants should make relevant information easy to find for readers. This can be done through links or by placing the essential information at the top of the document.

Good practice 5: accessible information on sustainable investment policies
A market participant makes a summary of its sustainable investment policy available on its website in the form of a two-page document containing key information. The information in this document is concrete, clear, and relevant. For further in-depth information, readers are referred to a comprehensive sustainable investment policy document.

Explanation:
In this example, relevant information is written down in an easy-to-find and accessible way for readers. The concise summary and clear wording make the relevant information more accessible for readers than if they were referred directly to the comprehensive sustainable investment policy document.

Dutch Authority for the Financial Markets
PO Box 11723 | 1001 GS Amsterdam

Phone
+31 (0)20 797 2000

www.afm.nl

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