

US securities regulators unveil proposal to fight 'greenwashing'

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US Securities and Exchange Commission Chairman Gary Gensler said new rules were needed to ensure environmental, social and governance investments live up to their marketing.

US securities regulators unveiled Wednesday a proposed rule to tighten

disclosure requirements on the rising number of investments that tout their commitment to environmental, social and governance (ESG) goals.

Seeking to address the problem of "greenwashing," where financial investments may fall short of marketing statements, the Securities and Exchange Commission said the measure was meant to standardize disclosure and avoid cases where a fund "could exaggerate its actual consideration of ESG factors."

SEC Chairman Gary Gensler said the rule was needed as the scale of the so-called "US sustainable [investment](#) universe" has grown to \$17.1 trillion, according to one estimate.

"When an [investor](#) reads current disclosures, though, it can be very difficult to understand what some funds mean when they say they're an ESG fund," Gensler said. "There also is a risk that funds and investment advisers mislead [investors](#) by overstating their ESG focus."

Funds that integrate ESG factors alongside non-ESG factors would be required to say how ESG is incorporated into the investment process, while ESG impact funds would need to say how they measure progress, the SEC said of the proposed rule.

Funds that emphasize the environment would need to disclose the carbon footprint of their investments.

Opposing the proposal was SEC Commissioner Hester Peirce, a Republican commissioner who said she supported the idea of tightening standards but that the new rules did not adequately define ESG.

The proposal "avoids explicitly defining E, S and G, yet implicitly uses disclosure requirements to induce substantive changes in [funds](#)' and advisers' ESG practices," she said. "Investors will pick up the tab for our

latest ESG exploits without seeing much benefit."

The SEC plans a 60-day public comment period on the proposal.

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