



ISLE OF MAN
FINANCIAL SERVICES AUTHORITY

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Greenwashing and Consumer Protection

**Guidance Note for Firms Regulated under the Financial
Services Act 2008, the Insurance Act 2008, the Collective
Investment Schemes Act 2008 and the Retirement Benefits
Schemes Act 2000**

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Status of Guidance

The Isle of Man Financial Services Authority issues guidance for various purposes, including to illustrate best practice, to assist firms to comply with legislation and to provide examples or illustrations. Guidance is, by its nature, not law, however it is persuasive. Where a person follows guidance, this would tend to indicate compliance with the legislative provisions, and vice versa.

1. Definitions

Term	Meaning
Authority	Isle of Man Financial Services Authority.
Board	The board of directors, or equivalent governing body
Consumer	In this document, “consumer” is a generic term used to refer to customers, policyholders, members of schemes, investors or other types of users of products, as applicable to the product and firm.
ESG	Environmental, Social & Governance.
Firm	Any person (legal or natural) who is licensed, registered, authorised or permitted under the: <ul style="list-style-type: none"> - Financial Services Act 2008 - Insurance Act 2008 - Retirement Benefits Schemes Act 2000 - Collective Investment Schemes Act 2008
Greenhouse Gas Protocol	The global standard for the measurement of greenhouse gas (GHG) emissions for corporates. These are split into three scopes to differentiate between types of activity ¹ .
Greenwashing	<p>A practice whereby sustainability-related statements, declarations, actions, or communications do not clearly and fairly reflect the underlying sustainability profile of a firm, a financial product, or financial services. This practice may be misleading to consumers, investors, or other market participants.</p> <p>For convenience, in this document Greenwashing is also used to refer more widely to all sustainability-based claims that give a false impression of the sustainability impacts of a product or service.</p>
Net zero	The reduction or offset of greenhouse gas emissions from human activity as close as possible to zero.
Relevant legislation and guidance	See Appendix 1
Relevant terms	See Appendix 2
Sustainability	A generic term to refer to a range of ESG focus areas.

¹ Greenhouse Gas Protocol - <https://ghgprotocol.org/>

2. Introduction

The Authority's regulatory objectives include the protection of consumers and maintaining confidence in the financial services sector through effective regulation. Ensuring that firms understand the expectations of them when it comes to the claims they make around the sustainability features of their products, or of their operations is critical to the fulfilment of these objectives.

The Authority's existing conduct requirements contained within the relevant legislation and guidance apply equally to greenwashing as to other forms of misleading or false advertising. Hence, the Authority anticipates that greenwashing can be managed within a firm's existing governance frameworks.

No new requirements imposed

2.1 Applicability

This guidance note aims to provide support to enable all firms to understand and manage the implications of the sustainability-based claims they make in respect of their products and their operations on consumers and other stakeholders. Some sections will have greater applicability for certain sectors, based on requirements in the relevant legislation and guidance.

2.2 Greenwashing

Green finance and other sustainable finance products are growing increasingly popular in both local and global markets. The popularity of these products can be attributed to several factors, with the key drivers being an interest from consumers in reducing their own environmental or social footprint as well as the desire to capitalise on high growth sub-sectors that these products are associated with.

The rise in popularity of sustainable financial products brings the risk that product providers could be selling products as being sustainable, without sufficient evidence to justify their claims. This is being evidenced by a global rise in the number of complaints from consumers saying they are being misled as to the sustainability credentials of the products or the businesses from which they are buying.

Greenwashing also presents a significant risk to the firms making these claims, through the potential for litigation or loss of revenue if claims are subsequently found to be false or misleading.

Greenwashing is a complex and multifaceted issue. It can occur at all stages of a product lifecycle and can also occur in processes related to firm management, including through ineffective governance and controls.

2.2.1 Sources of Greenwashing

Greenwashing can manifest in many forms, including through unintentional routes. Most commonly, it occurs through either the omission or obfuscation of information relevant to the decision making of consumers, or through the provision of misleading information that is false. Despite these sources of greenwashing being the most common, care should be taken that greenwashing does not occur through other forms.

There are also numerous examples, globally, of greenwashing occurring unintentionally. This can arise through a lack of robust and appropriate due diligence efforts.

Whilst often the clearest examples of greenwashing occur at a product level, firm-level claims should also be considered in greenwashing monitoring processes. This will most commonly occur when claims are made without sufficient strategic alignment or appropriate monitoring of plans and processes to achieve sustainability-related goals or other performance targets, as well as where formal or informal disclosures are not appropriately measured or presented.

Firms should also consider how their interactions with third parties could lead to perceived or actual greenwashing. Where products are marketed or sold by third parties, including but not limited to where third parties may be providing financial advice which could give rise to consumers being misled.

Greenwashing may or may not result in immediate damage to individual consumers or investors (in particular through mis-selling) or the gain of an unfair competitive advantage. Regardless of such outcomes greenwashing undermines trust in sustainable finance markets and policies.

2.2.2 Examples of Greenwashing

Below are some common sector specific examples that could be constituted as greenwashing:

Type of Greenwashing	Example	Fact Pattern
Mislabelling	A fund marketed as a “Nature positive” fund.	Under the terms of the fund, it states the fund “ <i>may invest in companies that offset their nature impacts</i> ”. These investments are likely to have a neutral impact on nature if impacts are offset, not a “net-positive” impact as the label suggests.
Vague Terminology	A bank claims that it “ <i>contributes to positive outcomes for the world</i> ”.	There is no disclosure as to what these “ <i>positive outcomes</i> ” may be. As such, it is unclear how the business is contributing positively.
Inadequate Explanation	A trust and corporate service provider states it can help set up a sustainable trust by taking into account	Without defining what is meant by “ <i>taking into account sustainability factors</i> ”, this could be potentially misleading. A consumer who is looking for a thematic or activist investment

Type of Greenwashing	Example	Fact Pattern
	sustainability factors in investment management.	approach but receives a positive screening style ² approach may feel that the product has been mis-sold to them.
Sustainability goals	A pension administrator states on its website that it is committed to reaching net zero by 2028.	The pension administrator has not identified an actionable strategy for reaching net zero, nor has it described any progress towards this goal. This goal also does not explain if it will be over Scope 1 & 2 emissions, or include Scope 3 emissions under the Greenhouse Gas Protocol ³ , or if it will be achieved through offsetting or genuine reductions.
ESG and Strategic goal mismatch	An insurer advertises products based on its corporate sustainability credentials.	<p>The insurer continues to provide services to controversial, non-sustainable and/or high emitting industries. Additionally, the insurer elects to focus exclusively on specific elements of its carbon footprint that portray the businesses in a positive light whilst ignoring material Scope 3 emissions that may indicate it has a high carbon footprint.</p> <p>The mismatch between the way the insurer is portraying itself publicly, whilst ignoring the complete data picture, and its underwriting activities could mislead a potential consumer into believing buying an insurance policy with the insurer would have a positive contribution to the environment, when the firm is not as low carbon as advertised and carbon-intensive sectors are being supported.</p>

2.3 Impacts of Greenwashing

The impacts of greenwashing can be far reaching, for businesses, consumers and the Island more widely. An exhaustive list of potential outcomes is not possible, but common examples of outcomes are included below:

² More information on sustainable investment approaches - <https://www.unpri.org/investment-tools/definitions-for-responsible-investment-approaches/11874.article>

³ Scope 1 emissions – all direct greenhouse gas emissions arising from a business' own activities. Scope 2 emissions – indirect greenhouse gas emissions from the use of purchased electricity, heat, or steam. Scope 3 emissions – other indirect emissions not covered in Scope 2 that occur in the value chain of the reporting company, including both upstream and downstream emissions. Relevant Scope 3 emissions for finance sector entities includes the Scope 1, Scope 2 and material Scope 3 emissions from businesses to which they have a financial exposure (e.g. through lending activities, insurance products, and investments), or the Scope 3 emissions of emissions-intensive inputs to their businesses.

2.3.1 Litigation risk

The most immediate and acute example of an impact for businesses is that of litigation risk, arising from the potential for legal action following the mis-selling of a product because of greenwashing.

It is also worth noting that inadvertent greenwashing arising from a lack of proper governance over sustainability-based claims can sometimes lead to an exposure to financial crime risks, for example where fraudulent carbon credits are used to create a firm's green credentials. Such exposures present a significant risk of litigation for firms.

2.3.2 Reputational risk

Instances of greenwashing may erode consumers' trust in the firm, or the trust of other stakeholders. The reputational damage may also result in prospective consumers not considering that firm as a potential provider. Longer term, the brand of the firm may find itself significantly damaged due to the loss of credibility, particularly on sustainability topics.

A firm that makes misleading sustainability claims risks significant reputational damage when consumers and other stakeholders become aware of the greenwashing activities, for example where a whistle-blower or a press release alerts consumers and other stakeholders to the greenwashing occurrence.

2.3.3 Impact on consumers

Consumers directly impacted by greenwashing may be deceived, or may feel they have been deceived, into buying financial products not aligned with their preferences, or buying from a business not aligned with their preferences. This could lead to them seeking to exit the products purchased or seeking recourse through complaints or litigation, resulting in costs or a loss of revenue for the firm. This could also lead to prudential risks if the nature of the firm's business would expose them to higher-than-expected levels of surrenders, withdrawals, account closures or redemptions.

2.3.4 Impact on Sector/the Island

Serious cases of greenwashing have the potential to harm the reputation of the sector or the Island, causing impacts for other firms in the same or other sectors.

3. Principles

The Authority recommends that firms consider the following five principles to follow to ensure that processes to avoid greenwashing, whether intentional or unintentional, are in place to both protect consumers and manage risks appropriately.

Summary of principles

- | |
|--|
| 1 – Claims should be correct and capable of being substantiated |
| 2 – Claims should be clear and understandable |
| 3 – Claims should be complete and not omit or hide important information |
| 4 – Comparisons should be fair and meaningful |

Summary of principles

5 – Entity-Level claims should be aligned with corporate strategy

Principle 1: Claims should be correct and capable of being substantiated

To not mislead consumers, claims made by firms should be factually correct, or at least based on the best information available. In the context of greenwashing, this means that positive impacts or characteristics of a product should not be exaggerated.

Firms can help to ensure that this is the case by internally or externally documenting reasonable and verifiable evidence of claims being made, with a process in place to ensure that this evidence exists prior to making claims and continues to be relevant and accurate over time.

Principle 2: Claims should be clear and understandable

When making claims about sustainability credentials or features of products and performance, these claims should be transparent and straightforward. Technical language, or relevant terms, used incorrectly or inappropriately can be confusing in many areas of sustainability and can mislead consumers. Equally, overly generic language can also be misleading if the result is an unclear description.

Care should be taken to ensure that language and terms used are appropriate for the audience, considering their nature of the client base and level of experience, e.g. approaches may change if the audience is a business compared to a professional investor compared to retail clients.

Principle 3: Claims should be complete and not omit or hide important information

Just as critical to the protection of consumers when it comes to sustainability claims is that any such claims do not omit or hide any information that may influence the decision making of consumers. This means that claims that are only true in certain circumstances, or that are based on estimates or imperfect information should be identified as such in an open and transparent manner. Equally, firms should also acknowledge any negative impacts when making green claims, for example where a firm's Greenhouse Gas Protocol Scope 1 & Scope 2 emissions are nil but Scope 3 emissions have not been reduced or measured, this should be acknowledged against any carbon-based claims.

It is essential that firms consider what information is necessary alongside any sustainability claims to give a representative picture of the product or service. This may include information about the firm itself.

Principle 4: Comparisons should be fair and meaningful

Specific care should be taken when comparing one product or service with another as part of marketing materials. Comparisons should enable the users to make informed choices with fair and meaningful information.

To achieve this, any claims should make clear what is being compared and how the comparison is being made for two like-for-like products or services. Before comparative claims are made, the firm should ensure that it has appropriate and relevant evidence to be able to substantiate these claims prior to issue.

Principle 5: Entity-Level claims should be aligned with corporate strategy

As noted elsewhere in this document, greenwashing can occur at both an entity and product level. Where claims are made at an entity-level, in addition to the other principles noted, additional consideration should be given as to whether the claims made align to the wider corporate strategy.

This may be achieved through ensuring that the claim is feasible, based on existing work or budget plans and clear roadmaps for the claim to be achieved or maintained.

4. Application of Principles

The principles outlined above are critical to the protection of consumers when it comes to sustainability-based claims. How firms apply these principles should be proportionate to the size and nature of the firm and the volume and significance of claims that they make. The Authority's expectation is that application of these principles should be possible within existing business and risk management processes⁴.

An example of how these principles could be applied is outlined below:

4.1 Product Cycle

4.1.1 Design

Where a product or service is being designed with a sustainability focus, consideration should be given to how this will be implemented. For example, for an investment-based product, how will sustainability criteria or considerations be implemented in the investment/project selection methodology. For a product marketed as being sustainable by virtue of the firm's own performance, the metrics and methodologies used to measure this should be defined up front.

These considerations should then be included and explained in offering documents, marketing materials or on the firm's website, as appropriate, to ensure that claims can be shown to be true and accurate as well as being clear and unambiguous.

⁴ Guidance Note – Managing the Financial Risks of Climate Change and Nature Loss – <https://www.iomfsa.im/media/3488/guidance-note-consideration-of-climate-change-risks-final.pdf>

4.1.2 Distribution

The selection of distribution channels by a firm, such as whether products are sold by intermediaries, can lead to sources of greenwashing risks. Ensuring that all distribution channels contain or refer to sufficient and appropriate information is important in avoiding inadvertent greenwashing through each channel. Equally, when using third parties, a lack of training for distributors related to products' sustainability features as well as general sustainable finance requirements could lead to greenwashing. This could arise through distributors not fully understanding the sustainability features of a product, or distributors might not be able to match these sustainability features to consumer sustainability preferences.

4.1.3 Marketing

Decisions within the marketing process can have direct impacts on the likelihood of greenwashing. These range from naming selections, for example using words like "sustainable" or "green" in product names⁵, to colour schemes or imagery used in marketing materials, such as using green colour schemes or imagery of trees giving the impression of environmental benefits. Where imagery, colour schemes, language or other features of marketing materials are deviating from the usual for a firm, care should be taken in considering if the materials may be portraying certain features of a product and if those features can be substantiated.

4.2 Data and Evidence

Given claims should be factual and based on verifiable data and evidence, it is expected that firms be able to evidence the sources, level of uncertainty and completeness of the data they are using in the making of any claims. Data that is out of date, based on different geographies or are not industry specific may introduce a level of uncertainty or inaccuracy that should be acknowledged in the product design process. For example, carbon data can often use national or regional averages, or other generalised data that may result in a material deviation for a specific business.

As part of claims being made, any shortcomings of data or evidence used should be made clear, where appropriate to ensure that the level of accuracy of a claim is apparent, and that this uncertainty is not omitted or hidden.

4.3 Governance

Boards, or board equivalent structures ("the Board"), should embed the review of sustainability-based claims as part of their usual product review processes. The Board should be provided with the considerations made during product design as well as the data and evidence utilised, including details of any data or evidence limitations. Using this information, the Board should satisfy itself that internal policies and procedures, where applicable, have been followed, that claims being made align with the principles and that any products that have uncertainty or attributes that sit outside of risk tolerances are updated, supported by additional data or, if remediation is not possible, rejected.

⁵ See Appendix 2 for other examples.

The definition of responsibilities and implementation of reviews of sustainability claims in normal governance processes is essential for the effective management of risks arising from greenwashing, through the careful review of claims being made.

4.4 Ongoing Review

Many sustainability claims are ongoing in nature, for example around asset allocations or carbon footprints, or include longer-term targets or goals. These kinds of claims require ongoing monitoring to ensure that the claims made remain relevant. For example, a net zero by 2040 claim may be made some time in advance, with a genuine intention to complete the required work to achieve it, and an expectation that the goal is possible. For this claim to remain credible, however, the Board should consider if appropriate steps are being taken over time and whether the goal remains achievable, otherwise a claim that was initially genuine may become misleading⁶.

If a claim is found to no longer be valid at a later date, action may be required. If the claim formed part of marketing materials for a specific product, it may be appropriate to communicate the change in status of the product or claim to the users of the product⁷.

Where a claim is more general in nature, for example the general emissions reduction goal of a firm, consideration should be given by management or the Board on how this is best managed, considering the likely impacts on consumers. For example, it may be appropriate to remove references to a claim or goal if this is found to no longer be valid from the firm's website and marketing materials, or more formal communications to existing consumers may be required. The level of response should be proportionate to the role of the claim in the decision-making process of consumers and the likelihood of a consumer being misled without the action taking place.

An ongoing review, founded in up-to-date data and evidence, should be a core part of ongoing risk management processes to ensure that previous claims do not become misleading, remaining truthful and accurate as well as ensuring that new, relevant information is not omitted or hidden.

⁶ Guidance issued by the Transition Plan Taskforce ("TPT") on how to build an effective transition plan is included in section 2 of the TPT Disclosure Framework – <https://www.ifrs.org/content/dam/ifrs/knowledge-hub/resources/tpt/disclosure-framework-oct-2023.pdf>

Further guidance from the TPT - <https://www.ifrs.org/sustainability/knowledge-hub/transition-plan-taskforce-resources/>

⁷ If the claims are included in the offering documents of collective investment schemes then appropriate updates must be made in line with the relevant legislation that applies to the scheme type.

5. Summary of actions to be taken

As part of the existing conduct requirements under the relevant legislation and guidance, firms should, where they do not already do so:

- Identify and document sustainability claims already being made during the product design or marketing process and establish procedures to identify and manage new claims made in product design and marketing processes.
- Make use of relevant and complete data to justify any claims being made and document internally both the data and evidence used, as well as any uncertainty or error in the data.
- Establish appropriate governance and oversight of any new and ongoing sustainability claims, updating governance and risk management frameworks accordingly, if required.
- As part of these processes, firms should consider:
 - What information is needed by consumers?
 - Is vague or highly complex terminology being used?
 - Are relevant terms⁸ being used appropriately?
 - Are the claims being made omitting significant information?
 - Does business strategy align with ESG strategy?
- Identify what information may need to be made available to consumers, or other stakeholders, and include this in product information, marketing materials or on the firm's website.

6. Questions

If firms have any questions in relation to this guidance, or other questions relating to greenwashing, please contact your relevant Supervision Division using the contact details on the [Contact Us](#) webpage.

For all other persons, please email info@iomfsa.im or call +44 (0)1624 646000.

7. Version History

Version	Date	Comment
1.0	13/10/2025	Guidance note first issued.

⁸ A list of example terms that are often taken to imply a specific sustainability meaning is included in Appendix 2.

Appendix 1 – Relevant legislation and guidance

In the creation of this guidance, the legislation and guidance noted below has been considered by the Authority. This is shown below aligned to the relevant primary legislation, and the relevant sub-topic the legislation or guidance relates to. Where this guidance note refers to “relevant legislation and guidance”, the legislation and guidance applicable to the relevant primary legislation should be considered.

Area of focus	Financial Services Act 2008	
	Document	Reference
Conduct	Financial Services Act 2008	Sections 37 & 38
	Financial Services Rule Book 2016	Rules 6.2, 6.5, 6.6 & 6.7
Product Design	Guidance Note on Advertising, Distribution and Promotion of Financial Products or Services 2012	Paragraph 8.6 Paragraph 8.23
Distribution	Financial Services Rule Book 2016	Rules 6.3 & 6.32
Marketing	Financial Services Rule Book 2016	Rule 6.12 & 9.6
	Guidance on the Financial Services Rule Book 2016	Guidance on rules 6.12 & 6.13
Governance	Financial Services Rule Book 2016	Rules 8.2, 8.3, 8.6, 8.23, 9.11 & 9.19
Disclosure	Financial Services Rule Book 2016	Rules 6.37 & 6.57

Area of focus	Insurance Act 2008	
	Document	Reference
Conduct	Corporate Governance Code of Practice for Insurers 2021	Paragraph 73
	Insurance Intermediaries (Conduct of Business) (General Business) Code 2020	Paragraph 5
		Paragraph 7
	Insurance Intermediaries (Corporate Governance) (General Business) Code 2020	Paragraph 10
Product Design	Insurance (Conduct of Business) (Long Term Business) Code 2021	Paragraph 5
		Paragraph 6
	Insurance (Conduct of Business) (Non Long Term Business) Code 2018	Paragraph 5
		Paragraph 6
	Insurance Intermediaries (Conduct of Business) (General Business) Code 2020	Paragraph 6
Distribution	Insurance (Conduct of Business) (Long Term Business) Code 2021	Paragraph 5
		Paragraph 6
		Paragraph 16
	Insurance (Conduct of Business) (Non Long Term Business) Code 2018	Paragraph 5
		Paragraph 6
Marketing	Corporate Governance Code of Practice for Insurers 2021	Paragraph 9
	Corporate Governance Code of Practice for Regulated Insurance Entities 2010	Paragraph 5
	Insurance Intermediaries (Conduct of Business) (General Business) Code 2020	Paragraph 14
Governance	Insurance Act 2008	Section 17A
		Section 27D
	Corporate Governance Code of Practice for Designated Insurers 2019	Paragraph 6
	Corporate Governance Code of Practice for Insurers 2021	Paragraph 9
		Paragraph 59
	Corporate Governance Code of Practice for Regulated Insurance Entities 2010	Paragraph 3
		Paragraph 15
	Insurance Intermediaries (Conduct of Business) (General Business) Code 2020	Paragraph 7
Disclosure	Insurance (Conduct of Business) (Long Term Business) Code 2021	Paragraph 5
		Paragraph 8
	Insurance (Conduct of Business) (Non Long Term Business) Code 2018	Paragraph 5
		Paragraph 7
	Insurance Intermediaries (Conduct of Business) (General Business) Code 2020	Paragraph 6

Area of focus	Collective Investment Schemes	
	Document	Reference
Product Design	Collective Investment Schemes (Regulated Fund) Regulations 2017	Regulation 20
Marketing	Authorised Collective Investment Schemes Regulations 2010	Schedule, Part 4, Regulation 4
	Collective Investment Schemes (Regulated Fund) Regulations 2017	Regulation 7
		Regulation 34
		Regulation 36
		Regulation 37
		Schedule 1, Part B
	Collective Investment Schemes (Qualifying Fund) Regulations 2010	Regulation 4
		Regulation 16
	Collective Investment Schemes (Specialist Fund) Regulations 2010	Regulation 4
		Regulation 12
	Collective Investment Schemes (Recognised Schemes) Regulations 2015	Regulation 13

Area of focus	Retirement Benefit Schemes	
	Document	Reference
Marketing	Retirement Benefits Schemes (Domestic Schemes) (General Administration) Regulations 2004	Regulation 15
	Retirement Benefits Schemes (International Schemes) Regulations 2001	Regulation 13

Appendix 2 – List of relevant terms

The below is intended to serve as an example list⁹ of relevant terms for sustainability-linked financial products or services. This list is not exhaustive, and individual terms may not always have a sustainability meaning dependent on context.

- ESG (or environmental, social and governance)
- Environment, environmental or environmentally
- Social or socially
- Climate
- Sustainable or sustainability
- Green
- Transition
- Net zero
- Impact
- Responsible
- Sustainable development goals or SDG(s)
- Paris-aligned

⁹ List taken from the United Kingdom Financial Conduct Authority Handbook – <https://www.handbook.fca.org.uk/handbook/ESG/4/3.html>