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6 February 2025

By email: [taxonomyconsultation@hmtreasury.gov.uk](mailto:taxonomyconsultation@hmtreasury.gov.uk)

Dear HM Treasury,

## **Financial Services Consumer Panel response to HM Treasury UK Green Taxonomy Consultation**

The Financial Services Consumer Panel<sup>1</sup> (the Panel) welcomes the opportunity to respond to HM Treasury's (HMT) consultation on UK Green Taxonomy and appreciates HMT's efforts to enhance market integrity and transparency and protect consumers.

The Panel requests HMT to consider the following:

- Our response is in the context of retail investors and in line with the Panel's position and vision for how the market should function. It is also in line with previous consultation responses<sup>2</sup> on the FCA's anti-green washing sustainability disclosure and fund labelling regime. The foundation of this is supervised by the Consumer Duty, with rules aimed at addressing foreseeable harm to consumers, including harm caused by greenwashing and unsuitable products.
- As demonstrated by the FCA's Financial Lives 2022 survey, there is significant consumer interest in sustainable products and services with 74% of consumers surveyed considering environmental issues to be important, while 79% agreed that businesses have a wider social responsibility beyond profit-making<sup>3</sup>. The Panel therefore believes it is crucial to ensure consumers:
  - are able to make active and informed choices about whether to invest or not in sustainable product(s), and that their decisions help them achieve their desired financial goals and outcomes.

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<sup>1</sup> <https://www.fca.org.uk/panels/consumer-panel>

<sup>2</sup> [https://www.fca.org.uk/panels/consumer-panel/publication/final\\_fscp\\_response\\_fca\\_-\\_sustainability\\_disclosure\\_requirements\\_cp22-20.pdf](https://www.fca.org.uk/panels/consumer-panel/publication/final_fscp_response_fca_-_sustainability_disclosure_requirements_cp22-20.pdf) , [https://www.fca.org.uk/panels/consumer-panel/publication/20240126\\_final\\_fscp\\_fca\\_greenwashing\\_response.pdf](https://www.fca.org.uk/panels/consumer-panel/publication/20240126_final_fscp_fca_greenwashing_response.pdf) and [https://www.fca.org.uk/panels/consumer-panel/publication/20240614\\_final\\_fscp\\_response\\_to\\_fca\\_extending\\_sdr\\_and\\_investment\\_labels\\_regime\\_to\\_portfolio\\_management.pdf](https://www.fca.org.uk/panels/consumer-panel/publication/20240614_final_fscp_response_to_fca_extending_sdr_and_investment_labels_regime_to_portfolio_management.pdf)

<sup>3</sup> [Financial Lives 2022 survey: Consumer investments and financial advice selected findings](#) page 43.

- are provided with clear, understandable, and comprehensive information about those investment products to make well-informed decisions before and throughout their investment journey.
- can trust the claims made by sustainable investments products in order to drive positive change.
- fully understand the opportunities, trade-offs, risks and costs involved, and easily compare these across options.
- receive value for money on their investment choices (this includes the investment itself and any associated advice and guidance)

The Panel broadly supports the development of a UK Green taxonomy outlined in this consultation and notes:

- From a consumer perspective, a UK Green taxonomy can add an extra layer of transparency and standardisation to the existing sustainability disclosures and transition plans. The classification tool can help consumers have a common framework to assess investments in sustainable activities and reduce greenwashing.
- A UK Green Taxonomy can provide consumers with clear and consistent information about which economic activities are genuinely sustainable helping consumers understand which companies and projects are genuinely working towards a sustainable transition and /or are truly sustainable. This can help consumers to make informed decisions and trust that their investments are truly green, reducing the risk of greenwashing.
- Consumers may not only use these taxonomies when making informed investment decisions but may also use these taxonomies to verify the sustainability claims of products and services they purchase from these firms.
- A UK Green Taxonomy can also reassure consumers that sustainability claims are accurate and meaningful, thereby safeguarding the integrity of sustainability claims and reinforcing consumers' trust. In particular, the activity-level standards could provide detailed insights into specific actions and their environmental impact, making it easier for consumers to understand and compare the sustainability of different products or services. This complements broader entity-level data by offering a more granular view.
- The proposed taxonomy could also help educate consumers helping them understand sustainability and the importance of supporting green initiatives.

The Panel however does have a concern about the potential complexity of the taxonomy and whether consumers will be able to easily understand and use it.

- The Panel encourages clear and simple taxonomy criteria, communication, regular updates, and stakeholder engagement to ensure that the taxonomy remains relevant and consumer-friendly. The Panel believes that:
  - the taxonomy should be simple and cover a wide range of sectors, including energy, transportation, agriculture, and manufacturing, to provide comprehensive guidance on sustainable choices.
  - International interoperability in format, structure, and naming would make it easier for consumers to compare and understand sustainability information across different jurisdictions. Consistent thresholds and metrics would help consumers enhance clarity and trust.
  - communication and guidance should be clear and simple to help retail investors make informed choices that meet their needs and preferences. This would also help improve consumers' understanding and trust and it will ensure that the taxonomy is accessible and understood by all.
  - updates should be regular, on a three-year update cycle, to allow enough time for meaningful progress while ensuring the taxonomy remains current.
  - stakeholder engagement should include a dedicated body responsible for maintaining and updating the taxonomy, with input from the UK government, regulators, consumers, businesses, and environmental experts. Continuous engagement with global jurisdictions that have government endorsed taxonomies in operations is also encouraged.
- The Panel considers that the UK Green Taxonomy should be subject to ongoing consumer testing, to assess how the Taxonomy impacts consumer understanding and decision making before and after the Taxonomy is introduced.
- The Panel encourages clear and measurable criteria to help consumers understand and trust the information.
  - Metrics might include carbon emissions, energy efficiency, water usage, waste reduction, biodiversity, water and air quality impacts.

- Success could be measured by increased consumer trust in green products, higher investment in sustainable projects, and a reduction in greenwashing incidents.
- Key performance indicators might include consumer awareness levels, investment flows into taxonomy-aligned activities, and feedback from stakeholders.

The Panel looks forward to engaging further on the possible design and implementation of a UK Green Taxonomy.

Yours sincerely,

Helen Charlton  
Chair of the Financial Services Consumer Panel