

Guidelines on Funds' Names Using ESG or Sustainability-Related Terms

Article By:

Andreas Fillmann

The European Securities and Markets Authority (ESMA) published on 14 May 2024 a [final report](#) containing guidelines on funds' names using ESG or sustainability-related terms to address concerns about greenwashing and ensure that fund names accurately reflect their investment strategies and objectives.

Concretely, the guidelines aim to limit greenwashing and develop a set of streamlined names and terminology for funds to accurately reflect investment objectives.

Marketing and fund documents cannot be misleading on ESG or sustainability claims but must provide evidence of the sustainability objectives. If a fund includes any ESG-related terminology or terms derived from the word "sustainable" in its name, at least 80% of its assets must be allocated to fulfill environmental or social characteristics or sustainability investment goals. This should align with the binding elements of the investment strategy, as detailed in Annexes II and III of the SFDR.

In addition to the 80% asset allocation, these funds must adhere to the exclusions outlined in the [EU's Paris Aligned Benchmark](#), which includes restrictions on companies involved in controversial weapons, tobacco production, those violating UNGC or OECD guidelines and sector-specific restrictions. Some funds must comply with the Climate Transition Benchmark which applies the first three exclusions.

© Copyright 2025 Squire Patton Boggs (US) LLP

National Law Review, Volume XIV, Number 311

Source URL: <https://natlawreview.com/article/guidelines-funds-names-using-esg-or-sustainability-related-terms>