# Financial planners face mixed challenges tackling greenwashing and greenhushing



The financial planning industry’s approach to greenwashing—a practice where investment products are misleadingly marketed as environmentally friendly—remains inconsistent, experts have noted, revealing a varied landscape among advisers in their awareness and handling of this issue.

Gemma Woodward, head of responsible investment at Quilter Cheviot, characterised the industry as a “mixed bag” concerning greenwashing. She highlighted that some financial advisers and paraplanners have long integrated responsible and sustainable investing into their advice, making them adept at identifying greenwashing. However, she also noted that others have only more recently engaged with sustainability issues, or have shown less focus on them. Woodward pointed to external factors affecting this attentiveness, mentioning, “The wider environment, including the US environmental, social and governance backlash and the end of the ESG bubble following the Russian invasion of Ukraine, has led to waning interest in responsible and sustainable investments. This is not necessarily a bad thing, as there was a lot of money moving into this area without much discussion about clients’ preferences.” Quilter Cheviot tackles this challenge by providing anti-greenwashing training and workshops aimed at equipping advisers with the skills needed to navigate sustainability claims.

Greenwashing has been identified as a barrier to investment in sustainability funds. Research published by Boring Money found that seven out of ten investors suspect many products labelled as sustainable do not genuinely meet such criteria. Craig Skinner, a chartered financial planner at Amberstone Financial Planning, emphasised the growing concern as investor interest in ESG (environmental, social, and governance) funds intensifies, increasing opportunities for misleading claims. He said, “I think a lot of the risk itself can be reduced by having proper in-depth conversations with clients and understanding their needs and working together towards something which accurately reflects their thoughts.” Skinner underscored the risk of misaligned investments if clients believe they are supporting causes such as clean energy but their money ends up backing companies with poor ESG records. He also mentioned potential performance issues arising from poor ESG integration and the possible erosion of client trust if investments do not align with expectations.

To improve transparency and reduce greenwashing, the Financial Conduct Authority (FCA) introduced sustainability disclosure requirements (SDR) and a labelling regime. These rules mandate that UK funds using terms such as “sustainability,” “sustainable,” or “impact” in their names must now adopt one of four approved SDR labels. Keith Richards, CEO of Consumer Duty Alliance, acknowledged that adoption has been gradual, with only around 80 UK funds currently obtaining a sustainability label, according to research by Morningstar. Nevertheless, Richards welcomed the requirement for consumer-facing disclosures as a useful tool for advisers conducting due diligence. He raised concern about the insufficient discussion of sustainable investment options with clients, noting, “This could have serious implications for advice firms if clients become aware that they are invested in funds that do not align with strongly held social or ethical views, or that they were not made aware that sustainable options were available.” Richards highlighted the importance of advisers enhancing their knowledge to confidently engage clients, particularly as younger generations—who tend to prioritise values-driven investing—take a greater role in wealth transfer and financial planning.

Despite measures against greenwashing, another issue dubbed “greenhushing” has emerged, where companies and funds avoid discussing their sustainability practices to sidestep burdensome disclosure requirements. Woodward explained: “The naming and marketing rules require extensive disclosures if certain terms related to sustainability are used in marketing materials, which can be burdensome. As a result, firms choose to avoid discussing their sustainability practices altogether to sidestep these complexities.” She argued that this reluctance stalls transparency and may make it difficult for investors to identify genuinely sustainable products, shifting industry focus from combating greenwashing to addressing a culture of silence on sustainability.

The growing regulatory scrutiny over greenwashing carries significant consequences. Gordon Tveito-Duncan, chief executive and co-founder of GaiaLens, an AI-powered sustainability analytics platform, pointed to recent enforcement actions, notably Deutsche Bank’s investment arm DWS being fined €25 million (£21.5 million) for allegedly misleading investors regarding its sustainable investing credentials. Tveito-Duncan stated: “Regulators can impose significant fines on asset managers for greenwashing, which also leads to reputational damage.” To help mitigate risks, GaiaLens has developed a greenwashing analytics tool that combines artificial intelligence with data analysis to evaluate a company or fund's sustainability claims against verified metrics, news reports, and controversies. This technology assesses alignment between stated objectives and actual performance, aiming to identify instances of greenwashing quickly and at scale.

On the client engagement front, tools such as FT Adviser’s bespoke EnlightenESG profiler assist investors in clarifying the importance of ESG factors in their decision-making. Zara Okoro, paraplanner at Abacus Associates and member of the Personal Finance Society’s paraplanning panel, praised the tool, especially for firms lacking structured ESG profiling processes. Okoro said, “The most important part of sustainable investing is truly understanding a client’s ESG preferences; sustainability is investor led, not investment led. A tool like this can help clients clarify how important ESG is to them, which is key to making informed decisions.”

As the sustainable investing arena evolves with regulatory changes, technological innovation, and shifting client expectations, advisers face a complex environment to balance transparency, client education, and responsible stewardship of investments. The ongoing challenges of greenwashing and greenhushing underscore the importance of clear communication and informed advice in this increasingly significant area of financial planning.

Source: [Noah Wire Services](https://www.noahwire.com)

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