



UK Sustainability Disclosure Requirements

CFA UK

February 2024



Agenda

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SDR and
Timeline

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Roadmap

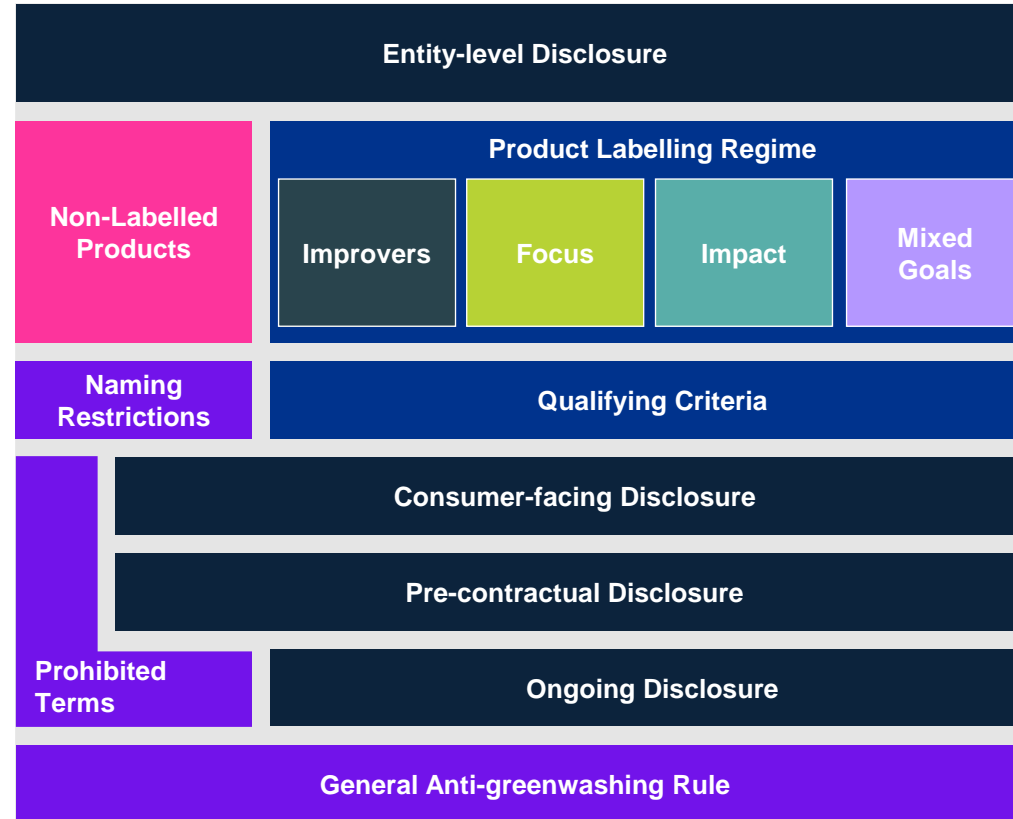
03

Discussion



SDR Overview – Key Components and Scope

The FCA's Policy Statement on the UK's Sustainability Disclosure Requirements sets out final rules on disclosures at entity and product level, product labels and their eligibility criteria, naming and marketing restrictions, and an anti-greenwashing rule.



Key

- Disclosure obligation
- Product labels and standards
- Marketing restriction

The FCA's Sustainability Disclosure Requirements include the following elements:

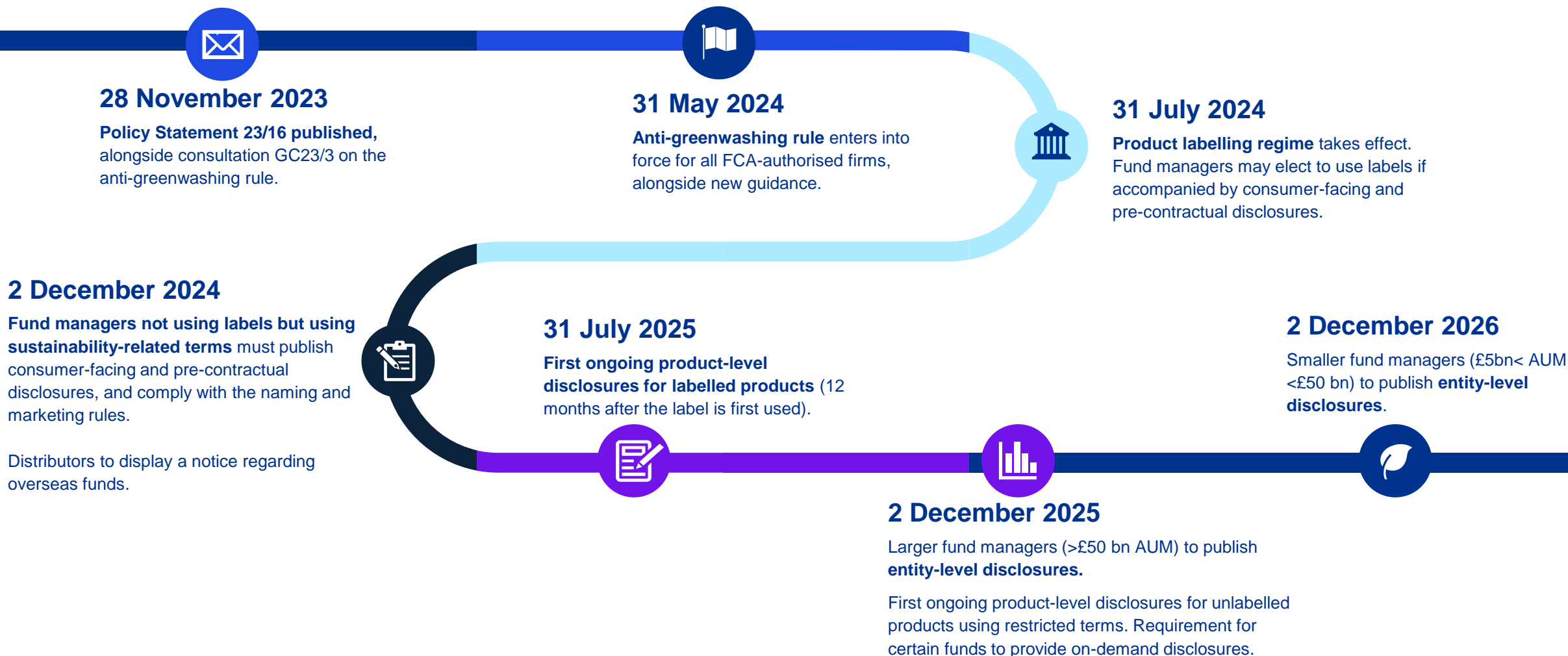
- Entity level disclosures** for fund managers
- Product-level disclosures** for UK funds
- A product labelling regime** for sustainable investment products
- Minimum 'qualifying criteria'** that fund managers and products must meet to in order to attain a sustainability investment label
- Naming and marketing restrictions**, including a general anti-greenwashing rule and certain restrictions on using sustainability-related terms in connection with non-labelled products

The rules in the policy statement will predominantly apply to fund managers (with a separate consultation for wealth managers due in early 2024). However, the general anti-greenwashing rule applies to all regulated firms.

Obligations will also be placed on distributors to provide the prescribed disclosures to end clients. Overseas funds are not in-scope.

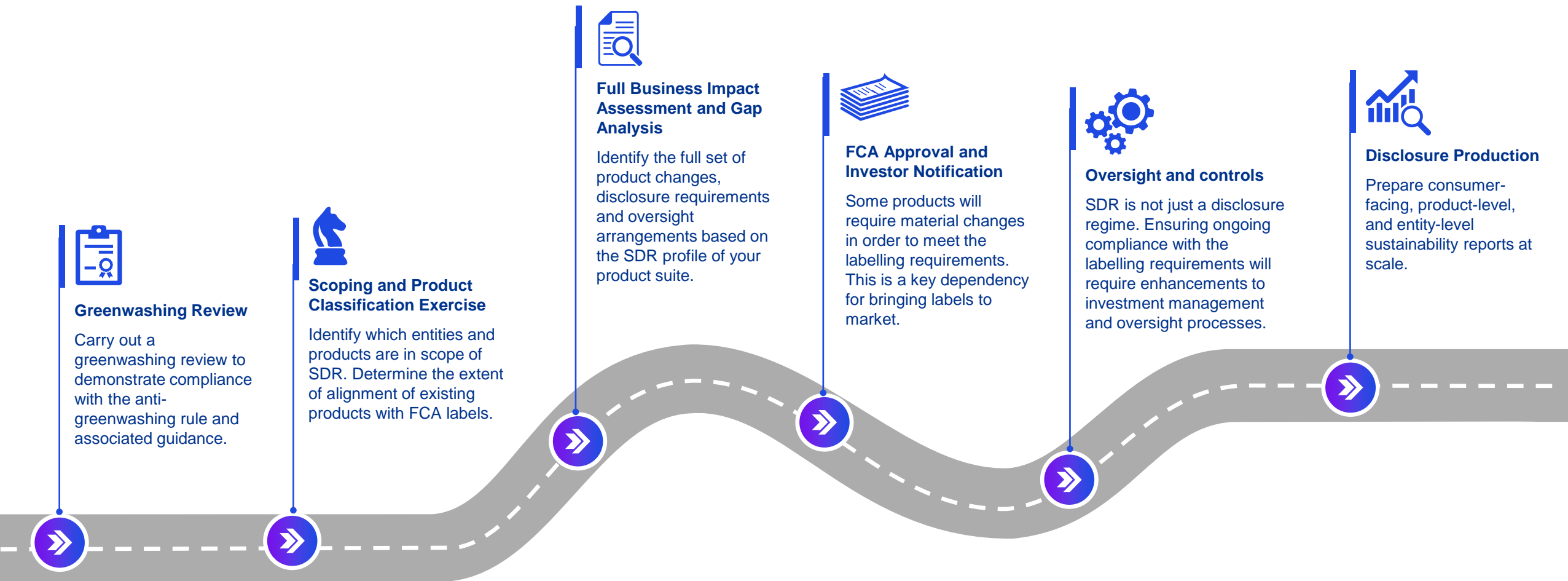
Timeline

Following go-live of the anti-greenwashing rule at the end of May 2024, the labelling regime takes effect from 31 July 2024 and fund managers may choose when after that date to use a label and align their disclosures accordingly. Fund managers may wish to take advantage of the labelling regime as soon as it takes effect – although this represents a challenging timeline and work will need to start immediately.



Implementation Roadmap

Fund managers should proceed with the following actions, if not already underway. In addition, the implementation programme should be informed by addressing findings from the FCA's Guiding Principles review, and incorporating lessons learned from SFDR and Consumer Duty programmes.



Key Takeaways and Challenges

Based on our work on SDR to date, we have observed some emerging challenges on SDR implementation driven by a lack of clarity in the rules or practical difficulties.



Product Strategy

The changes to the naming and marketing rules have made the adoption of labels more of a commercial decision rather than a regulatory imperative.



Independent Review

The Sustainability Standard must be subject to an independent assessment by people with appropriate skills and expertise on sustainability matters. Internal capabilities where those skills sit may not be sufficiently independent.



Stewardship

The underlying requirements have been watered down, but only slightly. Fund managers will still need to ensure there is robust and measurable alignment between their product strategy and stewardship capabilities.



Sustainability Standard

Firm's must adopt a robust, evidence-based and absolute standard of sustainability for the purposes of assessing assets as sustainable or as transition assets, which must be subject to independent assessment.



Product classification

Non-labelled products that include sustainability-related terms in their marketing materials must product SDR disclosures. There is some uncertainty around the precise nature of the content that would trigger SDR disclosures.



Implementation timelines

The labels become available for use from the end of July. That gives firms wishing to be amongst the first to bring SDR labelled products to market a tight timeline to identify and implement any necessary enhancements and changes.

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