

Sustainability Disclosure Requirements (SDR)

Are we there yet?

Close but not quite would be the answer to that question! On the 28th November the FCA published its long-awaited Sustainability Disclosure Requirements (SDR) policy document which was first mentioned in the 2019 *UK Green Finance Strategy* document.

The purpose of SDR is to make sustainable investment options more understandable for the end client by providing standardised and consistent language through its labelling, naming and marketing rules, and to tackle greenwashing.

What does it mean and who does it apply to?

Different parts of the policy apply to different areas of the industry and there are still some areas being consulted on. The anti-greenwashing rule, which comes into effect at the end of May 2024 will apply to all FCA authorised firms and aims to ensure that all sustainability related claims are “clear, fair and not misleading” – essentially is it doing what it says on the tin and is there evidence to support that? The four SDR labels are currently only for asset managers in relation to their products (funds) and can be used from the end of July 2024. The labelling categories aim to make it easier for consumers to understand how they are invested – for a fund to qualify for a label, at least 70% of

its assets must be aligned with one of the following:

- » **Sustainability Focus** – invests mainly in assets that are considered sustainable, meeting robust, evidence-based standards.
- » **Sustainability Improvers** – invests mainly in assets that may not be sustainable now, but aim to improve their sustainability over time.
- » **Sustainability Impact** – invests mainly in solutions to problems affecting people or the planet to achieve real-world, measurable impact.
- » **Sustainability Mixed Goals** – created primarily for multi-asset funds, invests across different sustainability objectives aligned with the other three labels.

The naming and marketing rules will come into effect on 2nd Dec 2024 - under these rules, certain terms such as impact will be protected meaning there will be very strict rules around how they can be used. Again, the aim of this is to make it very clear for the end investor what exactly they are invested in.

There are also requirements for all distributors to ensure that product level information is made available to the end consumer.

What does this mean for the Whitechurch portfolios?

As a Discretionary Fund Manager (DFM), at the current time our portfolios do not fall within the scope of the labelling or naming and marketing rules - the FCA are launching a further consultation in the new year to look at proposals for portfolio managers. The anti-greenwashing rules do apply, and we will be reviewing all of our material once the full guidance is released to ensure we comply.

We will be engaging with all our fund managers to understand how they are approaching the new labelling regime and looking at the best ways to communicate this information and any related disclosures to clients to ensure they fully understand how and where they are invested.

For information on our advisory services please visit our website www.whitechurch.co.uk or contact a member of our Client Services Team on:

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