

SDR made simple

The FCA's goal for the UK Sustainability Disclosure Requirements is "to provide greater transparency, consistency and, in turn, trust in the market for sustainable investment products". They represent a comprehensive regulatory framework that mandates companies and financial institutions to disclose their impacts, both positive and negative, on the environment and society.

By consolidating the UK's fragmented and multiple streams of sustainability-related reporting requirements into one singular framework, it will help with the comparability and clarity of sustainability data and impact. Meanwhile, as it encompasses a wide array of sustainability topics, it encourages businesses to embrace a holistic approach to sustainable development and to recognise impacts they might not have considered before.

What is required?

The [final package of measures](#), which applies to all FCA-authorized firms, includes:

- an anti-greenwashing rule – "sustainability-related claims must be fair, clear and not misleading";
- four labels to support consumer navigation of the investment product landscape and enhance consumer trust;
- naming and marketing rules for investment products, ensuring that the use of language and sustainability-related terms is correct;
- consumer-facing information – provision of better, more accessible information to support consumer understanding of the key sustainability features of a product;
- detailed information – in pre-contractual, ongoing product-level and entity-level disclosures which are targeted at institutional investors and consumers; and
- requirements for distributors – ensuring that all product-level information is made available to consumers.

Who will it impact?

What makes this framework stand out is that it will impact all FCA-authorized firms, increasing its reach and influence across the UK. Approximately 50,000 financial entities will be covered by the UK SDR. They include:

1. FCA-regulated firms
2. Firms managing investment products for retail investors
3. Distributors of investment products

Currently, the UK SDR focus on financial and investment products for firms within the UK, but the FCA has indicated potential expansion of the rules to a wider landscape in the future.

When will it come into force?

Implemented from May 2024 to December 2026, with the following key dates confirmed:

- 31 May 2024** – anti-greenwashing rule and guidance will come into force;
- 31 July 2024** – firms can begin to use labels, with accompanying disclosures;
- 2 December 2024** – naming and marketing rules will come into force, with accompanying disclosures;
- 2 December 2025** – ongoing product-level and entity-level disclosures for firms with AUM greater than £50 billion will come into force; and
- 2 December 2026** – entity-level disclosures will be extended to firms with AUM greater than £5 billion.

How is the SDR connected to the UK SDS?

In the UK, the UK Sustainability Disclosure Standards (SDS) will set out corporate disclosures on the sustainability-related risks and opportunities that companies face. Published by the Department for Business and Trade (DBT), the UK SDS will be based on the International Sustainability Standards Board S1 and S2. Whilst the government is currently consulting on how to implement the global standards into UK law. The UK SDS are expected to form part of the UK SDR regime.

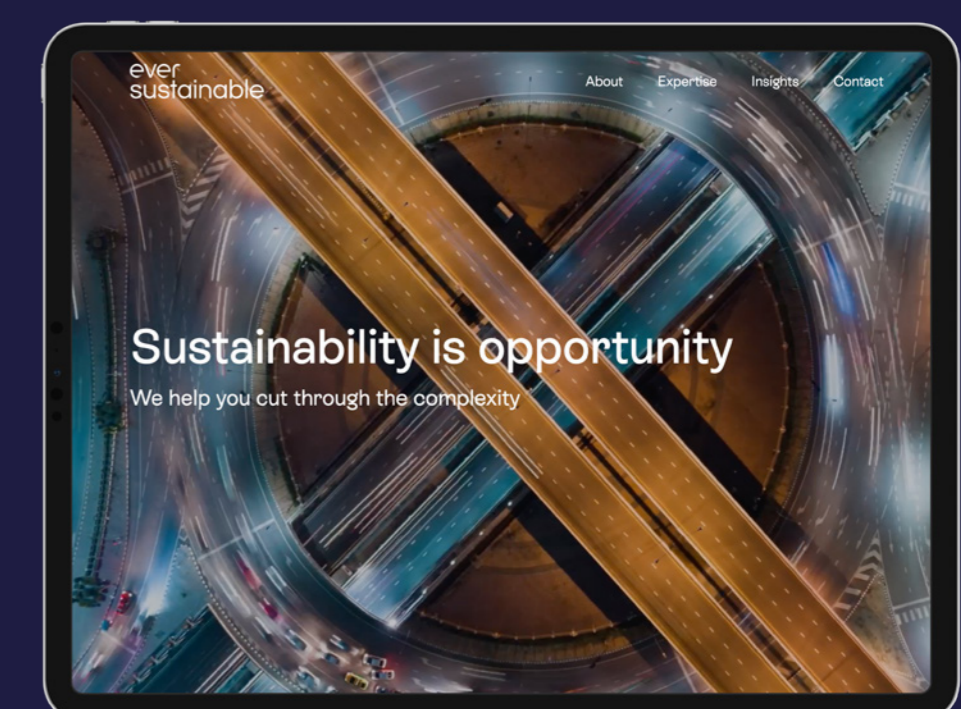
How can Design Portfolio and Ever Sustainable help?

Compliance will be key moving forward, and staying ahead of the curve will help.

Firms will need to understand their position concerning the SDR to remain competitive with the wider market, ensuring their sustainability agendas are compliant with market policies. They will also have to understand how to align current sustainability practices with the incoming frameworks.

With extensive experience in carrying out preparedness assessments against the requirements of the multitude of reporting frameworks, Design Portfolio and Ever Sustainable are well placed to provide insight into the potential gaps an organisation might have concerning a particular reporting framework. This includes preparation for the disclosure requirements of the ISSB standards that will form part of the UK SDS when they are integrated into reporting requirements, expected mid-2024.

sustainability@design-portfolio.co.uk
+44 (0)207 536 2015



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consultancy by Design Portfolio