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FCA Calls for Views on Classification of Sustainable Investment Products and New Sustainability Disclosure Requirements for Asset Managers

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Yesterday, the UK Financial Conduct Authority ("FCA") published a discussion paper (DP21/4) (the "Discussion Paper") seeking initial views on new sustainability disclosure requirements for asset managers and FCA-regulated asset owners, as well as on a new classification and labelling system for sustainable investment products. While the European Union Sustainable Finance Disclosure Regulation ("SFDR") came into force in March this year across European Union member states, the UK FCA is proposing to implement its own distinct ESG disclosure regime. The Discussion Paper follows after the European Supervisory Authorities delivered their final report of regulatory technical standards on taxonomy aligned disclosures including the new single rulebook for sustainability disclosures under the SFDR and the Taxonomy Regulation on 22 October to the European Commission.

The FCA's Discussion Paper highlights two initiatives that the FCA is proposing to implement:

- Sustainability Disclosure Requirements ("SDR") at entity and product-level: Real economy companies, including listed issuers, and asset managers and asset owners will be required to report on their sustainability risks, opportunities and impacts; and
- Sustainable investment labels: Certain investment products will be required to display a label reflecting their sustainability characteristics. This will complement the entity and product-level SDR disclosures.

The FCA is asking industry participants to provide comments on the Discussion Paper by 7 January 2022. The FCA will consider the initial industry views in response to the Discussion Paper and will aim to subsequently consult in Q2 2022 on its proposed rules to implement SDR disclosure requirements for asset managers and certain FCA-regulated asset owners and sustainable investment labels.

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