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UK Sustainability Disclosure Requirements: FCA Announces Delay

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On 29 March 2023, the United Kingdom's Financial Conduct Authority ("**FCA**") announced a delay to the upcoming policy statement on Sustainability Disclosure Requirements ("**SDR**") and investment labels.

Background

On 25 January 2023, the FCA's consultation paper (CP22/20) on the **SDR and investment labels** (the "**Consultation**") closed to comments.

The Consultation was a long-awaited step in the process for the United Kingdom to develop its own ESG disclosure regime, following the EU's Sustainable Finance Disclosure Regulation ("**SFDR**"). Please refer to our separate note here on the Consultation.

Following the closing date of the Consultation, final rules were expected by the end of the first half of 2023. Due to the significant response to the Consultation, however, the FCA has announced that the rules will be delayed until Q3 of 2023.

Feedback on FCA Proposals and Next Steps

The FCA has provided its initial thoughts on the feedback received. In particular:

- The SDR will need to protect consumers, while recognising any practical challenges that firms may have.
- The FCA is considering its approach to the marketing restrictions, refining some of the specific criteria for the sustainable product labels and clarifying how different products, asset classes and strategies can qualify for a label, including multi-asset and blended strategies.
- Primary and secondary channels for achieving sustainability outcomes will not be prescribed, and independent verification of product categorisation will not be required to qualify for a product label.

- There will be a place for all in-scope products within the overall package of measures. This includes products that may not qualify for a label, but nevertheless have some sustainability-related characteristics.
- The FCA has sought international coherence with other regimes, while emphasising that there needs to be robust standards for the UK to remain at the global forefront of sustainable investment.

The Consultation focused on UK authorised asset managers, including UK AIFMs and UK firms carrying out portfolio management (which may also encapsulate certain investment advisers who provide advice in relation to private equity funds on an ongoing basis), and their UK based products / portfolio management services.

While the FCA had stated in the Consultation that it intends to expand the regime over time, the delay announcement provided no clarity on whether overseas products marketed in the UK will be subject to the new regime.

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