

Hymans Robertson Investment Services (HRIS)

# Sustainable Disclosure Requirements: key dates and takeaways for advisers

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Like a popular TV drama, the FCA's Sustainable Disclosure Requirements ("SDR") had been well trailed before it was finally launched, but it looks like we'll have to watch quite a few more episodes to see how it all plays out and there's likely to be a few plot twists on the way.

As a reminder, the SDR is a policy statement which aims to give greater transparency and improve the trust in funds that are being marketed as "sustainable". The policy requires any UK retail-based funds with a sustainable related objective to either:

Align to one of the following four Sustainability labels:

- Focus
- Improvers
- Impact
- Mixed Goals (added post the SDR's initial review)

OR

Continue to not use a label, but comply with the SDR's product and marketing rules, including stating the reasons why a label hasn't been adopted

In both cases, there are several statements and disclosures which the fund managers are required to prepare.

The FCA has also issued a consultation relating to Anti-greenwashing (which closed on 26 January). The consultation paper focuses on the FCA's guidance that firms should take into account when making sustainability claims.

## Key dates for Advisers

- This FCA's Anti-greenwashing rule impacts all FCA authorised firms – i.e. including Advisers and Discretionary Fund Managers ("DFMs") – **it will come into effect on 31 May 2024.**
- Advisers, as Distributors under Consumer Duty, will be required to share any funds' disclosures (under SDR's naming and marketing rules) if the funds have adopted one of the new labels, or funds continue to claim a sustainable related objective. Funds will be able to adopt labels from 31 July 2024, but this naming and marketing rule **comes into effect by 2 December 2024.**
- At this time, quite how SDR will fully impact Advisers and DFMs, such as HRIS, is a bit up in the air, with the FCA confirming it intends to consult with Portfolio Managers (including DFMs) in **"early 2024", with implementation potentially along a similar timetable to the funds.**

## Key takeaways for Advisers

- **SDR impacts advisers.** It's important that time is taken to understand potential implications now and in the future. Advisers should consider what training is required.
- **Anti-greenwashing comes into effect on 31 May 2024 and also impacts advisers.** Preparation should take place to consider how any suitability related claims stack up against the FCA's "4 C" Framework" (see table).
- **There are currently no labelling requirements or additional product disclosures for investments made in Model Portfolios run by a DFM.** We expect this to change over the coming months.
- **Advisers are subject to product disclosure requirements for any recommendation into specific funds which use a label or claim to be sustainable related.** This means that Advisers actions should:
  - Ensure the new labels and/or consumer-facing disclosures are shared with investors when promoting sustainable investment funds to retail investors.
  - Make sure any labels displayed are up to date and ensure clients are made aware that any Offshore funds are not subject to the UK SDR regime.

### Sustainability references should be:

**Correct and capable of being substantiated**



**Clear and presented in a way that can be understood**



**Complete** – they should not omit or hide important information and should consider the full life cycle of the product or service



**Fair and meaningful in relation to any comparisons to other products or services**



Source: FCA's Guidance Consultation on Anti-Greenwashing rule.

## How HRIS is helping Advisers

- **Access to expertise.** Hymans Robertson (HRIS' parent), with c.£350bn of assets under influence, has a history of supporting some of the largest Institutional Investors in the country. This experience, and a large Responsible Investment team of 12, along with the HRIS investment team, means we get access to senior members of asset managers, can select appropriate sustainable related funds, and are able to challenge managers accordingly on all investment matters.
- **Manage model portfolios which have robust wording for suitability and target markets.** Using appropriate language and having robust language is key, given SDR and the anti-greenwashing consultation. Working with Advisers, we are able to support those that invest in our models with the wording used in their reporting and client messaging.
- **Provision of training and support for future proofing.** We're aware that the precise implications of SDR will continue to unfold. We work with Advisers to provide CPD-standard SDR training, focusing on matters including regulatory background and what it might mean for Advisers and their businesses.

We'll provide further updates over the coming months. In the meantime, please get in contact with your HRIS Relationship Director.

### Risk warning

The value of your investments and the income from them may go down as well as up and neither is guaranteed. Investors could get back less than they invested. Past performance is not a reliable indicator of future results. Changes in exchange rates may have an adverse effect on the value of an investment. Changes in interest rates may also impact the value of fixed income investments. The value of your investment may be impacted if the issuers of underlying fixed income holdings default, or market perceptions of their credit risk change. There are additional risks associated with investments in emerging or developing markets. The information in this document does not constitute advice, nor a recommendation, and investment decisions should not be made on the basis of it. The material provided should not be released or otherwise disclosed to any third party without prior consent from HRIS.