

## Cabinet News and Views

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### FCA Publishes Consultation Paper on UK Sustainability Disclosure Requirements



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The UK Financial Services Authority (“FCA”) has published its long-awaited [consultation paper](#) in relation to the proposed UK Sustainability Disclosure Requirements (“SDR”) and investment labels regime, which is designed to tackle greenwashing and retain trust in sustainable products (and is largely a tailored response to the EU’s Sustainable Finance Disclosure Regulation and Taxonomy).

The FCA’s proposals build from the early views set out in its Discussion Paper on Sustainability Disclosure Requirements and investment labels (DP21/4), published last November, focusing on the following core areas: sustainable investment labels, qualifying criteria that firms must meet to use a label, product- and entity-level disclosures, and naming and marketing rules. The FCA notes that the proposals in this consultation paper are a starting point for a regime that will expand and evolve over time.

The FCA’s proposals cover the following main areas:

- Sustainable investment labels to help consumers navigate the investment product landscape and enhance consumer trust.
- Consumer-facing disclosures to help consumers understand the key sustainability-related features of a product.
- Detailed disclosures targeted at a wider audience (for example, institutional investors and consumers seeking more information):
  - pre-contractual disclosures (for example, in the fund prospectus), covering the sustainability-related features of investment products;
  - ongoing sustainability-related performance information, including key sustainability-related performance indicators and metrics, in a sustainability

product report;

– a sustainability entity report covering how firms are managing sustainability-related risks and opportunities.

- Naming and marketing rules restricting the use of certain sustainability-related terms in product names and marketing materials unless the product uses a sustainable investment label.
- Requirements for distributors to ensure that product-level information (including the labels) is made available to consumers.
- A general “anti-greenwashing” rule applied to all regulated firms that reiterates existing rules to clarify that sustainability-related claims must be clear, fair and not misleading.

The FCA has been mindful of other international requirements in pulling together its proposals, and Annex 1 of the document contains a mapping exercise against current SEC and EU SFDR requirements.

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