THE INVESTMENT ASSOCIATION

EVERSHEDS SUTHERLAND

ABI

aic The Association of Investment Companies

PIMFA

TISA

UKSIF UK Sustainable Investment and Finance Association

The UK Depositary Association

GUIDANCE ON SDR CONSUMER-FACING DISCLOSURE

May 2024

ABOUT THE INVESTMENT ASSOCIATION (IA):

The Investment Association champions UK investment management, supporting British savers, investors and businesses. Our 250 members manage £8.8 trillion of assets and the investment management industry supports 126,400 jobs across the UK.

Our mission is to make investment better. Better for clients, so they achieve their financial goals. Better for companies, so they get the capital they need to grow. And better for the economy, so everyone prospers.

Our purpose is to ensure investment managers are in the best possible position to:

- Build people's resilience to financial adversity
- Help people achieve their financial aspirations
- Enable people to maintain a decent standard of living as they grow older
- Contribute to economic growth through the efficient allocation of capital.

The money our members manage is in a wide variety of investment vehicles including authorised investment funds, pension funds and stocks and shares ISAs.

The UK is the second largest investment management centre in the world, after the US and manages 37% of all assets managed in Europe.

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INTRODUCTION AND PURPOSE OF THIS DOCUMENT

In November 2023, the FCA published its *Policy Statement (PS23/16)* outlining the final rules on the new Sustainability Disclosure Requirements (SDR) and investment labels regime.

A key component of SDR is the increased provision of standardised sustainability-related information and the introduction of four types of sustainability-related disclosures, which are multi-faceted and affect firms in different ways. These four-tiered disclosure elements are:

- Consumer facing disclosures – aimed solely at retail investors;
- Pre-contractual product-level disclosures – aimed at all potential investors;
- Ongoing/periodic product-level disclosures; and
- Entity-level disclosures – building on current TCFD entity level reporting requirements.

This Guidance has been produced jointly by the Investment Association (IA), Eversheds Sutherland, the UK Sustainable Investment and Finance Association (UKSIF), the Association of Investment Companies (AIC), the UK Depositary Association, Personal Investment Management & Financial Advice Association (PIMFA), The Investing and Saving Alliance's (TISA), and the Association of British Insurers (ABI). Of the above listed disclosure elements, this guidance focuses solely on the information required in the consumer facing disclosures (CFD).

The FCA makes it clear that consumers must be able to access consistent information on products' key sustainability characteristics via this new CFD. The CFD will be produced by firms for labelled products as well as unlabelled products which use sustainability-related terms in their names and/or marketing. The CFD will be provided in a new, standalone format, on a relevant digital medium, alongside other documents that provide key investor information, e.g. the Key Investor Information Document (KIID) and prospectus.

The FCA does set out certain requirements for the format and content of the CFD to ensure consistency for consumers, but it does not introduce a specific template. The FCA does however encourage the development of an industry-led template and guidance for the CFD and as a result, a cross-trade body industry group was set up which has resulted in proposed frameworks and associated guidance for the CFD.

While this cross-trade body working group has produced guidance and associated frameworks that firms can use for the CFD in order to encourage more consistent disclosure between firms, improved comparability between products and better consumer understanding, there is little industry appetite for a rigid template. This is also in recognition of the FCA's overall ambition to move away from prescriptive disclosure towards a principles-based disclosure regime for retail investors as part of the wider Retail Disclosure Framework review.

This Guidance will be kept under review and may evolve further following ongoing implementation of SDR and further communications with the FCA.

Please note that the use of this guidance is not mandatory and firms may wish to make deviations from the guidance or rely on their own templates.

REQUIREMENTS AND PRINCIPLES

CONTENT

- ESG 5.2 specifies the rules and guidance related to the CFD. A summary is also provided in Table 25 of the Policy Statement. At a high-level, the CFD must include the following information and in this order:
  - **Basic information;**
  - **Label together with the relevant descriptor, or, a statement clarifying that the product does not have a label and why;**
  - **Sustainability Goal** outlining the product's sustainability objective;
  - **Sustainability Approach** covering the investment policy and strategy, including the key sustainability characteristics of the assets in which the product will and will not invest;
  - **Sustainability Metrics**, including the product's progress towards achieving the product's sustainability objective;
  - For the '**Sustainability Mixed Goals**' label only, the proportion of assets invested in accordance with each of the other relevant labels;
  - **Further details** of where a consumer can access other relevant sustainability and non-sustainability information.
- The CFD should broadly represent a distilled and consumer-friendly version of the detailed pre-contractual product-level disclosure (e.g. from the prospectus) and future updates may draw on the ongoing product-level disclosures. We expect that the CFD would generally not need to draw new information that is not provided in other literature (once that other literature is enhanced for SDR compliance).
- Firms must produce a CFD which is "clear, concise and easily read and understood" by retail clients.
- It is also worth noting that the Consumer Duty requirements (PRIN 2A.5) must be applied to the CFD and firms should be "testing, monitoring and adapting communications, where appropriate, to support understanding and good outcomes".
- Whilst the FCA has named this document the 'Consumer-facing disclosure', firms may wish to refer to this document differently, in a way that they see as more consumer-friendly provided that it is still identifiable as the 'consumer facing disclosure' to avoid confusion amongst consumers.

FORMAT

- The CFD must not exceed 2 pages (when printed and therefore it seems sensible to prepare a print-ready version – presumably a typeset PDF – so that firms can be confident that this requirement is met).
- While the CFD is limited to 2 pages of A4 when printed, there is limited prescription around the use of this space (with the exception of the sections which need to come first and/or be presented prominently). Firms should note that there is flexibility around the presentation of these other sections and firms have creative license to make the disclosures engaging whilst noting the FCA's consumer research – as well as other parameters set out in its rules – which state that visuals should be carefully curated to avoid misinterpretation.
- Whilst the rules require details (including via hyperlinks) as to where an investor can easily access other non-sustainability related information, there might be limitations on what traditional financial disclosure can be included given the restriction that the CFD does not exceed 2 pages of printed A4 paper in length.
- Like the SFDR templates, we expect most firms will be producing the CFD at fund level rather than share class level and therefore LEIs or PRNs can be used instead of ISINs. However, firms might decide to disclose multiple ISINs (which are of course issued at share class level) and might wish to use the final, "further details" section if doing so. For example, if firms decide to include information on costs and charges, then the relevant share classes and ISINs can be presented. However, as outlined above, Consumer Duty obligations should be considered regarding what information (ISIN, LEI or PRN) will be helpful for a retail investor given this is a retail facing document.

OTHER REQUIREMENTS

- The CFD must be available from the date that a sustainability label is first used (from 31 July 2024 at the earliest), or, where a product uses sustainability-related terms without a label, the CFD is required from 2 December 2024.
- The CFD must be located in a prominent place on the relevant digital medium (e.g. webpage, mobile app) through which the product is offered. It must also be easy for retail clients and distributors to identify the particular sustainability product and label to which the CFD relates, identify the relevant sustainability label (if any), and access the information required by ESG 5.2.2R(9).
- The CFD (and other pre-contractual disclosures) must be reviewed prior to any change to the product to ensure that it remains accurate and in any event must be reviewed at least annually (when it will, at a minimum, be updated with information such as progress towards the objective), though there is no specific annual review date set by the FCA as there is for a Key Investor Information Document (KIID). When a firm ceases to use a label or revises the use of a label, firms will need to publish details of the changes made to the product's disclosures and the reasons for this. This disclosure must be in a prominent place on the relevant digital medium for the manager.
- Firms need to keep copies of each version of its published CFDs for 5 years and make these available to investors or the FCA on request. The FCA feedback statement in PS23/16 suggests these should be hard copies but this is not reflected in the actual rules (which refer only to 'a copy'). We would therefore expect that retrievability, rather than storage format, is the key focus and expect that, for example, anything that constitutes a durable medium would be permissible but there may be other acceptable approaches.

Interaction with Consumer Duty

The FCA states in PS23/16 that: 'Our rules are consistent with the consumer understanding outcome under the Consumer Duty. Where the Duty applies, firms will need to ensure their communications meet the information needs of retail customers, are likely to be understood, and equip retail customers to make decisions that are effective, timely and properly informed. The information must be communicated in a way that is fair, clear and not misleading.

We also remind firms of the Consumer Duty's requirements for tailoring a consumer disclosure appropriately to their needs and to 'testing, monitoring, and adapting communications', where appropriate, to support understanding and good outcomes'.

Below we outline more detailed guidance regarding the CFD requirements on:

- **Sustainability Goal**
- **Sustainability Approach**
- **Sustainability Metrics**

SUSTAINABILITY GOAL

SUSTAINABILITY OBJECTIVE

The "Sustainability Goal" should reflect the sustainability objective articulated in the prospectus and should be placed in a prominent place at the front of the CFD.

Should the CFD include the financial objective?

The rules do not specify whether the financial objective must be included in the sustainability goal section. It could be argued that on a literal interpretation of the FCA rules the Sustainability Objective section should concentrate on the 'sustainability objective' i.e. "a statement of intention to undertake activities with the aim of directly or indirectly improving or pursuing positive environmental and/or social outcomes". However, the sustainability objective forms part of the investment objective, and many firms will write their 'investment objective' as a single paragraph combining financial and non-financial elements. This is consistent with the examples provided by the FCA in the policy statement.

Firms could try to write the two elements discretely, if possible, particularly in light of the FCA's new demands around clear, specific and measurable. However, even if the financial and sustainability objective are separable, it could be misleading to overlook the financial element, particularly where it might explicitly take precedence over the sustainability objective. Firms are also required to discuss any trade-offs with the financial risk and return which will again be quite difficult without the financial elements being disclosed. Furthermore, from a Consumer Duty perspective, there might be a concern about an investor who only reads the CFD (or reads it first) and may take an impression that sustainability is the only focus of the product.

Therefore, there is a good case to refer to financial objectives in the CFD where necessary to provide important context, while clearly not being mandatory. However, how much information on the financial objective to include in the CFD is at the discretion of the fund manager. For example, it may be enough to state for context that the fund is seeking capital growth, but firms then need to consider whether to include additional contextual information about benchmarks, targets, time horizons, that positive returns are not guaranteed etc.

The aforementioned examples the FCA provides in the Policy Statement include a fund which has a combined financial and sustainability objective and also a fund with separate financial and sustainability objectives. We therefore think that firms can adopt either approach, as long as the sustainability objective meets the requirements of being explicit, clear, specific and measurable.

Any material effect (including expected effect) on the financial risk and return as a result of the investment strategy the manager has adopted to pursue the product's sustainability objective *(ESG 5.2.2 (5)(a))*

The FCA explains in the Policy Statement that "strategy may have a material impact on the financial return of the product where the firm has specifically decided to opt for sub-market returns while pursuing positive environmental and/or social outcomes."

It seems unlikely that a firm would intentionally choose a 'sub-market' return. We think the FCA is trying to convey when a product accepts a return that is likely to be less than the return of a traditional financial product, rather than aiming to underperform the market. This might be an accepted possible outcome of the strategy employed to achieve a sustainability objective.

A starting point for this disclosure may therefore be to consider whether there is a comparable traditional financial product and what differences in risk and financial performance might be expected as a result of the fund's sustainability characteristics.

Non-exhaustive examples of product features and trade-offs include:

- Funds that use, for example, material negative screens, as part of a wider sustainability approach will have a return profile that differs from the broader market.
- Real estate funds investing with a social impact focus, may forgo more lucrative development opportunities in order to deliver their objective.
- Strategies using concentrated portfolios may have more volatile returns than a more diversified portfolio.

Please note that the sustainability characteristics above do not, in isolation, represent label-eligible approaches.

The question then of what 'material' means will be one for each manager to consider.

Firms might also be able to leverage other information they already collect, e.g. scenario analysis, volatility, liquidity, counterparty risks etc. in determining any material differences between their sustainable and traditional product ranges that ought to be disclosed.

Firms may want to cross-refer to the risks in the prospectus although it is questionable whether this adds very much from a Consumer Duty perspective.

Specimen disclosure

'The Fund's potential pool of investments is limited to [investment in companies] that meet [certain sustainability criteria][a specific standard of sustainability][certain sustainability-related characteristics].

This means that the Fund cannot benefit from the investment performance of certain companies or sectors which may cause it to underperform the market. The Fund may need to sell investments that cease to meet its sustainability requirements even if those investments are performing well financially.

Other funds with similar financial goals, but without a sustainability goal, may also be able to invest more widely which may result in a better financial return and/or spread financial risk.

[The Fund does not use securities lending and therefore cannot benefit from the potential revenue this would generate.]'

The product's progress towards achieving its sustainability objective *(ESG 5.2.2 (5)(b))*

Only labelled funds are required to include this section, however non-labelled funds with a sustainability goal may also wish to include this section.

The FCA requires firms to designate KPIs so that investors can understand progress against the objective. However, progress against the objective also needs to be addressed in this section, consistent with the FCA's own disclosure approach in its consumer testing.

Firms may be tempted to summarise KPIs here. We read this as requiring a short summary of the product's overall story in achieving its sustainability objectives and any explicit targets. This will necessarily be a shorter disclosure for newer products.

Any material negative environmental and/or social outcomes that may arise when pursuing the product's sustainability objective as defined in ESG 4.2.9R(1) *(ESG 5.2.2 (5)(c))*

The FCA Policy Statement states "Firms must also disclose any material negative environmental and/or social impacts that may arise (or have arisen) in pursuing the sustainability objective. This approach should provide the needed clarity to consumers about what the product is invested in, as per our latest consumer research, without explicitly referring to 'unexpected' investments."

Again, whilst only labelled funds are required to include this section, it might also be helpful for non-labelled funds with a sustainability goal to include this section.

While the FCA no longer refers to 'unexpected investments', if there are such exposures and the reason that they are unexpected is because of a negative sustainability implication, firms will want to consider naming the issuer/industry, or disclosing their approach, taking into account the requirement in ESG 5.2.2R(7)(b) to set out the characteristics of assets in which they will and will not invest. To avoid doubt, it is important to note that no investment can conflict with the sustainability objective.

Our understanding is that even if the objective focuses only on a single aspect of sustainability, all relevant harms must be considered: "For example, a firm may identify that its strategy focused on increasing the development of affordable housing (a positive sustainability outcome) may have a negative outcome for the environment, due to real estate construction impact."

This means that this disclosure requirement is probably the closest that SDR has to 'Do No Significant Harm[1]' and the FCA indicates that this requirement is their answer to feedback on this point.

Separately the FCA suggests that firms may be able to leverage disclosure of principal adverse impacts from SFDR for this disclosure. While not required for the consumer-facing disclosure, firms in this position may, for example, want to disclose their approach in monitoring material negative impacts, relevant indicators used in monitoring those impacts, and any threshold set to minimise those impacts.

[1] The EU's DNSH principle entails assessing whether an investment the firm has designated as a 'sustainable investment' does not significantly harm any E or S objective.

SUSTAINABILITY APPROACH

A summary of the investment strategy and policy in plain English, setting out… ***The key sustainability characteristics of the assets in which the product will and will not invest [in]*** *(ESG 5.2.2 (7)(b))*

This appears to require a description of asset selection criteria for the fund's 70+% assets and ought to summarise the lengthier description in the prospectus.

Naturally firms should expect to disclose any rigid negative and positive selection criteria that they apply.

Given that the KIID is still required to summarise the objective and policy but will be more space constrained, firms may want to also include in the CFD aspects about the strategy for the selection of assets (i.e. not just what is eligible, but what 'good' looks like for the manager).

A summary of the investment strategy and policy in plain English, setting out… ***Details any types of assets that the product invests in for reasons other than to pursue the sustainability objective and why the product invests in those assets.*** *(ESG 5.2.2 (7)(c))*

The SDR rules allow 'up to 30%' allocation to such assets as long as these do not conflict with the sustainability objective. It is suggested that these assets might be held for risk diversification or liquidity management. Here firms are asked to disclose the purpose of such holdings.

Firms may want to consider explaining particular exposures that might appear to contradict the sustainability objective but do not.

It should also be noted that products with a Mixed Goals label must also disclose the proportion of assets invested in accordance with each sustainable investment category. This can be an approximate figure or range. However, we expect authorised funds to be required to justify the ranges if these allow significant flexibility.

A summary of the investment strategy and policy in plain English, setting out… ***the manager's approach to investor stewardship in supporting the achievement of the sustainability product's sustainability objective*** *(ESG 5.2.2 (7)(d))*

The FCA suggests the following 'key attributes' of the role of stewardship and escalation for each label in the Policy Statement:

- Sustainability Focus: "To support assets in remaining sustainable/delivering long-term value"
- Sustainability Improvers: "To support and accelerate improvements over time"
- Sustainability Impact: "To support assets in delivering positive impact"
- Sustainability Mixed Goals: "To support assets in remaining sustainable/accelerate improvements over time/delivering positive impact"

However, this appears to require a degree of further explanation to represent a 'summary in plain English'. Firms must briefly describe the stewardship approaches that they might take to achieve the investment and sustainability objective and standards to which they subscribe.

This may include the process for escalation.

Firms should also consider the IA's *Fund Communication Guidance* in preparing this summary.

Specimen disclosure

"Stewardship" means the way a manager engages with investee companies and allocates, manages and oversees investments to create long-term value for investors, and sustainable benefits for the economy, the environment and society.

Firms may use the following descriptions of common stewardship techniques, tailoring them to illustrate how they support the sustainability objectives of the funds. These include, but are not limited to, the following:

- [**Voting policy**: A policy that determines how we vote in relation to the shares we hold in companies.]
- [**Direct engagement**: Active dialogue with the companies the fund invests in, with a specific and targeted objectives to achieve change.]
- [**Collaborative engagement**: Joining forces with likeminded asset managers or asset owners to communicate with companies with a single voice.]
- [**Signatory to international standards**: Subscribing to, and reporting in accordance with, international standards regarding responsible investing.]
- [**Outsourced engagement**: Using third parties to engage with companies on our behalf (usually for a fee).]
- [**Escalation plan**: Predefined set of steps and procedures that guide the process of escalating issues or concerns when initial engagement efforts do not yield the desired results.]

SUSTAINABILITY METRICS

The product's progress towards achieving the product's sustainability objective measured against the KPIs that the manager uses *(ESG 5.2.2 (8)(a))*

This is a non-static disclosure that will rely on the KPIs designated for the product in the main pre-contractual disclosure documentation. This is another reason to pay close attention to the choice of KPIs in the pre-contractual disclosure (KPI alignment with objective, KPI coverage, longevity etc). However, it is likely that the information disclosed around KPIs in the CFD will be less detailed than that in the pre-contractual disclosure documents. Some firms have suggested that they will consider aggregating KPIs on a thematic basis given the limited space for KPI disclosure. Metrics must be calculated using the most up-to-date data available as at the time of preparing the consumer-facing disclosure.

For the first CFDs produced for a fund, it is probable that there may be limited information on progress towards achieving the sustainability objective depending on when a fund was launched and the nature of the strategy.

Any other metrics that a retail client might reasonably find useful in understanding the sustainability characteristics of the product *(ESG 5.2.2 (8)(b))*

This applies to both labelled and unlabelled products – this includes unlabelled products which otherwise are not required to set KPIs. Firms may want to consider disclosures including the TCFD recommended metrics, SASB materiality matrix, or Global Impact Investing Network (GIIN) Compass.

In the case of labelled funds, which will have already disclosed against their robust and evidence based KPIs, this would seem to only be relevant if a firm has a firmwide metric they favour [that may be unrelated to the fund's objective (such as a carbon metric)]. Firms may be able to adapt/adopt metrics that are presently used for internal measurement purposes (e.g. risk management).

Any other contextual information about the metrics *(ESG 5.2.2 (8)(c))*

This is necessarily going to be context dependent.

However, to provide an example, the FCA has described circumstances where they would expect disclosures to be contextualised. For example, if firms intend to discuss Greenhouse Gas Emissions, they may need to explain Scopes 1, 2 and 3 as discussed in the FCA's feedback to their supervisory work on the Guiding Principles: "in some instances we found that, while the companies had set an ambition to achieve net zero emissions by 2050, they had not set any targets for Scope 3 emissions. The AFM did not explain the absence of a Scope 3 emissions target in the fund literature and the treatment of these holdings in the firm's ESG and sustainable investment framework was not clear."

Firms may also want to provide information on how the metrics should be interpreted (highlighting the advantages and limitations associated with a metric). For example, when using total carbon emissions, whilst this metric is simple to calculate and facilitates ease in communication, it is difficult to translate into exposure to climate risk and does not allow normalisation between funds. Furthermore, an increase in share prices, all else equal, would result in a decrease in the Fund's total emissions.

FRAMEWORK FOR SDR CONSUMER-FACING DISCLOSURE REQUIREMENTS
LABELLED PRODUCT

Please note that this document is a framework outlining content requirements only. This framework is ***not*** intended to be used as a layout for how the information disclosed in the CFD should be displayed – please see the FCA's rules and IA guidance for formatting requirements.

Manager Name	ESG 5.2.2R(1)	Here, 'manager' means the AFM or AIFM rather than any delegated investment manager. This does not specify that it needs to be the full legal name; therefore, we assume that a trading name would be acceptable.
Product Name	ESG 5.2.2R(2)	Name of product to which the CFD relates. Note ESG 4.3.4R(2) that where a manager is using the Focus, Improvers or Mixed Goals labels, the manager can't use the word 'impact' in the product's name.
Date	ESG 5.2.2R(3)	Date of disclosure
Product identifier	ESG 5.2.2R(4)	We expect most firms will be producing the CFD at fund level rather than share class level and therefore LEIs or PRNs can be used. However, firms might decide to disclose multiple ISINs (which are of course issued at share class level). Consumer Duty obligations should be considered regarding what information (ISIN, LEI or PRN) will be helpful for a retail investor given this is a retail facing document.
Sustainability label	ESG 5.2.4R	*'Ensure that the information at… ESG 5.2.2R(6), is located in a* ***prominent place*** *at the front of the consumer-facing disclosure'*
	ESG 5.2.2R(6)	The sustainability label being used: – Sustainability Focus – Sustainability Improvers – Sustainability Impact – Sustainability Mixed Goals
	4.1.3R	A manager must use the graphics prescribed by the FCA '*as far as reasonably practicable*' where it uses a label.
Label purpose		Although not required for a labelled product under ESG 4.3.5R(3)(a), firms may want to contextualise the label using the FCA suggested language or substantively similar words: *'an explanation as to the purpose of a sustainability label, using either the standard text – 'Sustainable investment labels help investors find products that have a specific sustainability goal' or alternative text which reflects the substance of the standard text'*
Label descriptor	ESG 2.2R(6)	– Sustainability Focus '*invests mainly in assets that focus on sustainability for people or the planet*' – Sustainability Improvers '*invests mainly in assets that may not be sustainable now, with an aim to improve their sustainability for people or the planet over time*' – Sustainability Impact '*invests mainly in solutions to sustainability problems, with an aim to achieve a positive impact for people or the planet*' – Sustainability mixed goals '*invests mainly in a mix of assets that either focus on sustainability, aim to improve their sustainability over time, or aim to achieve a positive impact for people or the planet*' as appropriate
Sustainability Mixed Goals	ESG 5.2.2R(10)	For this label only, '*details as to the proportion of the sustainability product's assets which are invested in accordance with each of the 2 or more sustainability objectives referred to in ESG 4.2.18R*' should be included. This can, but does not have to, include a visual representation (e.g. a pie chart).

SUSTAINABILITY GOAL	ESG 5.2.4R	*'Ensure that the information at… ESG 5.2.2 R (5)… is located in a prominent place at the front of the consumer-facing disclosure'*
	ESG 5.2.2R(5)	*'The sustainability product's sustainability objective, clearly signposted as the 'sustainability goal' for that product.'* Please note the heading: 'Sustainability Goal' must be used.
	ESG 5.2.2R(5)(a)	*'a summary of… any material effect (including expected effect) on the financial risk and return of the product as a result of the investment strategy the manager has adopted to pursue the product's sustainability objective'*
	ESG 5.2.2R(5)(b)	*'a summary of… the product's progress towards achieving its sustainability objective'*
	ESG 5.2.2R(5)(c)	*'a summary of… any material negative environmental and/or social outcomes that may arise when pursuing the product's sustainability objective, as identified under ESG 4.2.9R(1)'*

SUSTAINABILITY APPROACH	ESG 5.2.2R(7)(a)	*'a summary of the manager's investment policy and strategy… clearly signposted as the manager's 'sustainability approach'* Please note the heading: 'Sustainability Approach' must be used.
	ESG 5.2.2R(7)	*'a summary of the manager's investment policy and strategy in relation to the sustainability product's sustainability characteristics (including, where relevant, the sustainability product's sustainability objective) which uses plain English language to describe the policy and strategy effectively and accurately to retail clients'* We note the explicit plain language requirement. This should not be a copy-out of the prospectus unless that is written in plain language. Please note the connection here with the Consumer Duty – Consumer Understanding outcome.
	ESG 5.2.2R(7)(b)	*'sets out the key sustainability characteristics of assets in which that sustainability product will and will not invest'*
	ESG 5.2.2R(7)(c)	*'details any types of asset that the product invests in for reasons other than to pursue its sustainability objective and why the product invests in those assets'*
	ESG 5.2.2R(7)(d)	*'summarises the manager's approach to investor stewardship in supporting the achievement of the sustainability product's sustainability objective'*

SUSTAINABILITY METRICS	ESG 5.2.2R(8)	*'a summary of the relevant metrics in relation to that sustainability product, calculated using the most up-to-date data available as at the time of preparing the consumer-facing disclosure, which is clearly signposted as the manager's 'sustainability metrics'* Please note this heading: Sustainability Metrics must be used.
	ESG 5.2.2R(8)(a)	*'the product's progress towards achieving the product's sustainability objective, measured against the KPIs that the manager uses under ESG 4.2.4R(3)'* Note that this is asking firms to disclose against the KPIs that the product needs to have designated under the general labelling eligibility criteria: i.e. the product's *"robust and evidence-based key performance indicators (KPIs) that can demonstrate the product's progress towards meeting its sustainability objective."*
	ESG 5.2.2R(8)(b)	*'any other metrics that a retail client might reasonably find useful in understanding the sustainability characteristics of the product'*
	ESG 5.2.2R(8)(c)	*'any relevant contextual information, such as an explanation of how the metrics in ESG 5.2.2R(8)(a) and (b) should be interpreted'*

Further details	ESG 5.2.2R(9)	*'details (including, as appropriate, hyperlinks) as to where a retail client can easily access...'*
Pre-contractual disclosure	ESG 5.2.2R(9)(a)	*'the relevant pre-contractual disclosure in relation to the sustainability product, including, where applicable, Part A of the public product-level sustainability report in relation to that product'*
Part B Product Report	ESG 5.2.2R(9)(b)	*'Part B of the public product-level sustainability report in relation to the product'* At the time that the CFD is first produced, an ongoing product-level sustainability report may not exist.
Entity Report	ESG 5.2.2R(9)(c)	*'the manager's sustainability entity report'.* At the time that the CFD is first produced, an entity report may not exist and/or the firm may fall under the AUM threshold for producing an entity report.
Other non-sustainability related information	ESG 5.2.2R(9)(d)	*'other non-sustainability related information in relation to a sustainability product – for example, costs and charges that are associated with that product'*
Other documents	ESG 5.2.5G	*'Where applicable, a manager may, for the purposes of ESG 5.2.2R(9)(d), choose to refer to documents such as the key information document, the key investor information document or the NURS-KII document in relation to the particular sustainability product.'*

FRAMEWORK FOR SDR CONSUMER-FACING DISCLOSURE REQUIREMENTS
UNLABELLED PRODUCT

Please note that this document is a framework outlining content requirements only. This framework is ***not*** intended to be used as a layout for how the information disclosed in the CFD should be displayed – please see the FCA's rules and IA guidance for formatting requirements.

Manager Name	ESG 5.2.2R(1)	Here, 'manager' means the AFM or AIFM rather than any delegated investment manager. This does not specify that it needs to be the full legal name; therefore, we assume that a trading name would be acceptable.
Product Name	ESG 5.2.2R(2)	Name of product to which the CFD relates
Date	ESG 5.2.2R(3)	Date of disclosure
Product identifier	ESG 5.2.2R(4)	We expect most firms will be producing the CFD at fund level rather than share class level and therefore LEIs or PRNs can be used. However, firms might decide to disclose multiple ISINs (which are of course issued at share class level). Consumer Duty obligations should be considered regarding what information (ISIN, LEI or PRN) will be helpful for a retail investor given this is a retail facing document.
Statement that product does not have a sustainability label	ESG 5.2.4R	*'Ensure that the information at… ESG 5.2.1R(2)(b)… is located in a* ***prominent place*** *at the front of the consumer-facing disclosure'*
	ESG 4.3.5R(3)(a)	*'an explanation as to the purpose of a sustainability label, using either the standard text – 'Sustainable investment labels help investors find products that have a specific sustainability goal' – or alternative text which reflects the substance of the standard text'*
	ESG 4.3.5R(3)(b)	*'a statement as to the fact that the product does not use a sustainability label, using the text: 'This product does not have a UK sustainable investment label'*
	ESG 4.3.5R(3)(c)	*'a brief explanation as to why the product does not use a sustainability label'*

SUSTAINABILITY GOAL	N/A	This section is not required to be included for an unlabelled product but it is of course possible for an unlabelled product to have a non-financial objective (e.g. a net zero target) without meeting the broader labelling requirements. Under ESG 5.2.1R(2)(a) "a manager may choose to disclose any further information in ESG 5.2.2R that it considers appropriate to include in a consumer-facing disclosure." We understand that the FCA is comfortable that this can be used to introduce a sustainability goal disclosure if the product has such characteristics.

SUSTAINABILITY APPROACH	ESG 5.2.2R(7)(a)	*'a summary of the manager's investment policy and strategy… clearly signposted as the manager's 'sustainability approach'* Please note the heading: "Sustainability Approach" <u>must</u> be used.
	ESG 5.2.2R(7)	*'a summary of the manager's investment policy and strategy in relation to the sustainability product's sustainability characteristics (including, where relevant, the sustainability product's sustainability objective) which uses plain English language to describe the policy and strategy effectively and accurately to retail clients'* We note the explicit plain language requirement. This should not be a copy-out of the prospectus unless that is written in plain language. Please note the connection here with the Consumer Duty – Consumer Understanding outcome.
	ESG 5.2.2R(7)(b)	*'sets out the key sustainability characteristics of assets in which that sustainability product will and will not invest'*
Further information	ESG 5.2.3G	*'In relation to ESG 5.2.1R(2)(a), a manager may choose to disclose any further information in ESG 5.2.2R that it considers appropriate to include in a consumer-facing disclosure'*

SUSTAINABILITY METRICS	ESG 5.2.2R(8)	*'a summary of the relevant metrics in relation to that sustainability product, calculated using the most up-to-date data available as at the time of preparing the consumer-facing disclosure, which is clearly signposted as the manager's 'sustainability metrics'* Please note the heading: "Sustainability Metrics" <u>must</u> be used. Unlabelled products are not required to have robust and evidence-based sustainability KPIs in the way that labelled products are (and would only make such a disclosure if they had these voluntarily).
	ESG 5.2.2R(8)(b)	*'any other metrics that a retail client might reasonably find useful in understanding the sustainability characteristics of the product'* This section suggests that the firm has identified consumer-useful metrics it should disclose them. These are not subject to the requirement to be robust and evidence-based but the anti-greenwashing rule of course still applies.
	ESG 5.2.2R(8)(c)	*'any relevant contextual information, such as an explanation of how the metrics in [disclosed in this section] should be interpreted'*

Further details	ESG 5.2.2R(9)	*'details (including, as appropriate, hyperlinks) as to where a retail client can easily access...'*
Pre-contractual disclosure	ESG 5.2.2R(9)(a)	*'the relevant pre-contractual disclosure in relation to the sustainability product, including, where applicable, Part A of the public product-level sustainability report in relation to that product'*
Part B Product Report	ESG 5.2.2R(9)(b)	*'Part B of the public product-level sustainability report in relation to the product'* At the time that the CFD is first produced, an ongoing product-level sustainability report may not exist.
Entity Report	ESG 5.2.2R(9)(c)	*'the manager's sustainability entity report'.* At the time that the CFD is first produced, an entity report may not exist and/or the firm may fall under the AUM threshold for producing an entity report.
Other non-sustainability related information	ESG 5.2.2R(9)(d)	*'other non-sustainability related information in relation to a sustainability product – for example, costs and charges that are associated with that product'*
Other documents	ESG 5.2.5G	*'Where applicable, a manager may, for the purposes of ESG 5.2.2R(9)(d), choose to refer to documents such as the key information document, the key investor information document or the NURS-KII document in relation to the particular sustainability product.'*

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