

SDR Deepdive: 3. Consumer Facing Disclosures

Background

The Financial Conduct Authority ("FCA") is proposing that firms provide consumer-facing disclosures (which is a disclosure requirement) that aim to provide consumers with a summary of the products' key sustainability-related features. This will enable consumers to better understand the features, and to compare similar products and/or the same product over time. The consumer-facing disclosures will be disclosed together with documents that present other investor information such as, the Packaged Retail Investment and Insurance-based products, and Key Information Document. Firms that are in-scope must produce a consumer-facing disclosure for all in-scope products. Products that do not have sustainability related strategies, will have limited disclosure, and the relevant field will be noted as 'no sustainable label'/'not applicable' or 'N/A'.

The FCA are proposing that firms must make the categories of disclosures in relation to the consumer-facing disclosures, as set out below:

	Format	The FCA has not recommended a template, and instead recommends that the industry considers developing a market-led template. They propose that firms ensure the disclosure is clear and concise, accessible, and comprehensive. The contents of the disclosure must not exceed two pages of A4 and must be accessible in digital format.
	Basic information	The firm's name, product name, International Securities Identification Number, or any other unique identifier, and date.
	Product label	Display this information at the beginning of the disclosure, including a brief description of what the label means.
	Sustainability goal	State the product's sustainability objective, signposted as 'sustainability goal', stating whether there is an impact or expected impact on the financial return, and describing the progress towards the sustainability objective.
	Sustainability approach	Summary of the key elements of the product's investment strategy to pursue the objective.
	Unexpected investments	Summary of the types of holdings that the firm would reasonably expect consumers of the product to regard as unexpected and 'surprising'.

If you need any help or further information, please contact Leela Fair:

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