FCA Sustainability Disclosure Requirements (SDR) and investment labels

Key Requirements for UK asset managers

At the end of 2023, the FCA published the new **Sustainability Disclosure Requirements ("SDR") and investment labels rules**.

These new rules will be phased in across 2024 to 2026 and will impact all UK firms, with a particular impact on the UK fund industry.

This document summarises the aspects of the new rules which will be of most relevance to **UK fund managers with UK funds**, and identifies key next steps. UK managers of non-UK funds, and non-UK fund managers, are not generally subject to the requirements described in this document.

On 23 April 2024, the FCA published its consultation paper on extending the SDR and investment labels rules to certain **portfolio management services** (broadly capturing model portfolios, customised portfolios, segregated mandates, wealth management etc) . The consultation closes on 14 June 2024. Throughout this document we have identified how the FCA has proposed to extend the rules to firms providing portfolio management services.

We also know that HM Treasury is considering extending application of SDRs to non-UK funds under the Overseas Funds Regime and intends to consult on this from Q3 2024, but this is outside of the scope of this document.

The new rules include an **anti-greenwashing (AGW) rule**, applicable to all FCA authorised firms, including UK fund managers of non-UK funds, and coming into force on **31 May 2024**. This document does not cover the detail of the new AGW rule. Details of how we can help you with the application of the new AGW rule can be found here.

See the decision tree in the Appendix to this document for a summary of the scoping of the SDRs and investment labels rules (including the proposed application to portfolio management services).

Please also see our Sustainable Financing and ESG Investment microsite, including our webinar series on the SDRs and investment labels.

What are the key rules for UK asset managers with UK funds?

The new rules which have direct application to UK asset managers and their UK funds are:

i. The introduction of four opt-in sustainability labels, including qualifying criteria for use of the labels and specific disclosure and reporting requirements.

Sustainability Focus™ | Sustainability Improvers™ | Sustainability Impact™ | Sustainability Mixed Goals™

ii. Naming and marketing rules relating to the use of certain sustainability-related terms in product names and marketing materials, with related disclosure and reporting requirements

iii. Entity-level sustainability reporting

In particular, the combination of the sustainability labels and the naming and marketing rules will have a key impact on the UK fund industry, effectively creating three categories of UK domiciled fund in the context of sustainability:

LABELLED:
Opting to use one of the four sustainability labels from **31 July 2024**

NON-LABELLED:
Using sustainability terms in name or marketing and sold to retail from **2 December 2024**

OTHER:
Not using sustainability terms in name or marketing / professional only

Labelled funds (and non-labelled funds if they are being sold to retail investors) will be subject to certain disclosure and reporting requirements.

This note summarises the key requirements under each of the relevant rules identified above, sets out the next steps that firms should be taking to prepare and identifies how we can help you obtain Sustainability Labels and comply with the SDRs.

The AGW rule is not covered by this note but it applies to all firms (including UK fund managers) in addition to the rules above.

There are also specific rules for distributors of UK funds and recognised funds that are out of scope of this note.

SUSTAINABILITY LABELS

Scope: Only **UK UCITS management companies** and **UK AIFMs** can use Sustainability Labels in relation to their **UK authorised funds** and **UK unauthorised AIFs**[1]. Non-UK fund managers and UK managers of non-UK funds cannot use Sustainability Labels.

Sustainability Labels are voluntary, and firms can choose whether to opt in to the labelling regime. There is no breach or penalty for choosing not to used a label for a fund which might otherwise meet the eligibility criteria, although there are certain naming restrictions for funds not using a label and sold to UK retail clients.

Deadline: Sustainability Labels will be available for use from **31 July 2024**. Authorised fund managers will need to consider FCA approval timeframes under the existing fund authorisation/change procedures, as well as investor notifications etc. (Firms can also opt-in later as preferred; 31 July is simply the earliest date from which a label can be used)

Reference: ESG 4.1.1 – 4.1.15; ESG 4.2; ESG 4.3.4R(2); ESG 5.1 – 5.5

Proposed extension to "portfolio management" under CP 24/8

Scope: **UK firms** carrying on **portfolio management**[2] from **within the UK** can opt to use Sustainability Labels in relation to their agreements/arrangements to provide portfolio management services provided (i) such services are provided **to UK clients** and (ii) the client is **not a fund, an AIFM or a UCITS management company**. Firms providing portfolio management services to non-UK clients or UK funds/fund managers and firms providing services from a non-UK branch, cannot use Sustainability Labels in relation to those services.

Deadline: Sustainability Labels will be available for use from **2 December 2024**. (Firms can also opt-in later as preferred; 2 December is simply the earliest date from which a label can be used).

---

[1] excluding closed-ended AIFs which made no additional investments after 22 July 2013, qualifying social entrepreneurship funds and qualifying venture capital funds.

[2] "Portfolio management" has an extended meaning to cover both "managing investments" and "private equity or other private market activities consisting of either advising on investments or managing investments on a recurring or ongoing basis in connection with an arrangement the predominant purpose of which is investment in unlisted securities". NB this definition is aligned with approach taken by the FCA in its TCFD rules.

What do the rules require?

There is no obligation to use the new Sustainability Labels – they are optional – but FCA authorised firms are prohibited from using the labels unless:

- they are using them in relation to their UK funds,
- both the fund and the manager meet the relevant qualifying criteria, and
- they are prepared to make the relevant disclosures.

If a firm wants to use a Sustainability Label in relation to a UK fund it will need to:

- Review the qualifying criteria (which apply at both fund and manager level) to determine whether the fund is eligible to use a label. This will include ensuring:
    - The fund has a **Sustainability Objective** which aligns with one of the four Sustainability Labels
    - At least **70% of the gross value of the Fund's assets** are invested in accordance with the Sustainability Objective. This will mean (where relevant, depending on the objective) that 70% of assets are selected by reference to an appropriate Standard - **a robust, evidence base standard which is an absolute measure of sustainability**. The Standard must also be assessed as appropriate (either internally or by a third party).
    - Appropriate **KPIs** are selected to demonstrate the fund's progress towards meeting its Sustainability Objective or the performance of the underlying assets. Firms will need to report against these KPIs on an annual basis.
    - The firm meets appropriate **governance, resources and organisational requirements** (including knowledge and understanding and a high standard of due diligence) to support attainment of the Sustainability Objective.
    - The firm has identified a **stewardship strategy** to support achievement of the Sustainability Objective, as well as an **escalation plan** where assets do not demonstrate sufficient performance.
- Preparing the relevant disclosure documents and confirming that the firm can report against relevant KPIs on an annual basis.

It is important to note that only funds using a Sustainability Label can include the words "sustainable", "sustainability" or "impact" or any other variation of those terms in its name where the fund is being sold to retail investors. Only funds using the "Sustainability Impact" label can use the term "impact" in its name.

What disclosures are required?

- **Consumer-facing disclosure** (2 pages maximum) - required from the time of first use of Sustainability Label, if fund is sold to retail clients.
- **Pre-contractual disclosure** (generally included in fund prospectus) – required from the time of first use of Sustainability Label
- **Annual periodic disclosure** – required to be published within 12 months of first use of Sustainability Label and annually thereafter.
- **Website disclosure** – firms must disclose on website (or other relevant digital medium) the Sustainability Label that has been applied to the fund and, if applicable, where the consumer-facing disclosure can be accessed

In each case the disclosure will need to meet the prescribed content requirements.

There are no prescribed templates for these disclosures. The IA and other trade associations have collaborated to produce an industry-led "standard" version of the consumer-facing disclosure.

Firms will also need to consider the application of the AGW rule to these disclosures.

Is FCA approval required?

No, FCA approval is not required to obtain a Sustainability Label. However, firms are required to notify the FCA (via Connect) that they will be using a label.

In practice, an authorised fund manager will very likely need to seek FCA approval for the necessary changes to an existing fund to meet the eligibility criteria and amendments to the prospectus.

Any new authorised fund which is intending to use a Sustainability Label will need to seek approval in the normal way.

While the FCA will not approve the use of a Sustainability Label, we know that the FCA authorisations team will ask whether it is intended that a Sustainability Label will be used as part of its approval process and will scrutinise the application on that basis and in light of the qualifying criteria.

What are the next steps?

<table>
<tr>
<td>Scoping</td>
<td>

Identify:

commercial driver for use of a Sustainability Label (e.g., positioning within market, specific requests from investors, alignment with firm's general ESG profile etc).
funds and/or strategies that could meet the qualifying criteria for use of a Sustainability Label.
funds sold to retail which use "sustainable", "sustainability" or "impact" or any other variation of those terms in its name.

</td>
</tr>
</table>

Planning	• Determine timeline for obtaining label including: o Internal governance requirements (board approval, product governance process) o FCA approval (authorised funds only, if necessary) o Investor relations (eg for existing authorised funds, is the change fundamental, significant, notifiable per COLL 4.3) o Distributor/ platform notifications (for existing funds) o Other notification (for example, in the event of a change of fund name, consider changes to custody accounts etc). o Amendments to agreements (for example, to an investment management agreement if relevant).
Implementation	• Prepare disclosures (including consumer-facing disclosure, where relevant, and prospectus) taking into account eligibility criteria. • Identify relevant internal function / third party for assessment of Standard. • Identify appropriate KPIs for reporting against progress towards Sustainability Objective. Confirm ability to report against KPIs on annual basis. • Review firm's resources, governance and organisational arrangements. • Assess internal knowledge and understanding of fund assets. • Review firm's stewardship programme in light of fund's sustainability objective. • Prepare escalation plan (including identifying potential actions) and formalise escalation process. • If portfolio management is delegated, discuss proposed changes to fund and application of firm level requirements with investment manager and agree appropriate amendments to IMA. • Prepare and retain a record as to the basis on which the Sustainability Label has been used.
Ongoing compliance	• Ensure board and other governance bodies are appropriately structured to oversee and review MI about funds (including any third-party ESG information providers used, and the sustainability claims made) – see FCA Dear CEO letter. • Update internal investment due diligence process. • Identify data requirements and sources for preparation of reports. Ensure appropriate due diligence carried out on third party data sources.

	• Review use of and reliance on ESG related data and other information (including ESG ratings) in making investment decisions. • Identify any data gaps or methodological challenges in reporting and whether these can be met through proxies and assumptions, • Update internal investment guidelines and compliance monitoring. • Update website (or other relevant digital medium) to publish label and provide link to consumer-facing disclosure (where relevant) • Consider interaction of fund's periodic report with its TCFD product report (where applicable) • Formalise review of use of Sustainability Label (which must be at least annual) – eg this could be included in product governance process.

HOW CAN SIMMONS + SIMMONS HELP YOU?

Based on our experience to date with UK fund manager clients, we are well placed to assist firms looking to use Sustainability Labels, including:

- **Scoping**: Assessing eligibility of UK funds for use of a Sustainability Label, including developing checklists against the eligibility and disclosure requirements, associated guidance and our experience from engaging with the FCA.
- **FCA engagement**: Making informal approaches to the FCA in relation to specific strategies or to test aspects of an investment strategy for label eligibility.
- **Implementation**:
  - Drafting disclosures for funds using Sustainability Labels.
  - Memorialising the basis for use of a Sustainability Label
  - Drafting board memos in relation to use of Sustainability Labels
- **FCA applications**: Preparing authorised fund applications to the FCA authorisations team
- **Ongoing compliance**:
  - Preparing appropriate "use of label" policy documentation
  - Updating Compliance Manuals and other compliance policies and procedures (including product governance policies) to account for Sustainability Labels
  - Delivering training on use of Sustainability Labels.

NAMING AND MARKETING RULES

Scope: **UK UCITS management companies** and **UK AIFMs** are subject to the mandatory Naming and Marketing Rules in relation to their **UK authorised funds** and **UK unauthorised AIFs**[3], where these are sold to **retail clients**. UK fund managers are not subject to the naming and marketing rules in respect of (i) non-UK funds under their management, and (ii) UK funds which are sold exclusively to professional clients.

Deadline: The Naming and Marketing Rules will apply from **2 December 2024**. Authorised fund managers will need to consider whether FCA approval and investor notification will be required for any changes to existing funds required as a result of the application of these rules, and plan accordingly in advance of the deadline.

Periodic disclosures are required from 12 months after first becoming subject to the Naming and Marketing Rules. For existing funds as at 2 December 2024, this creates an effective deadline of **2 December 2025** for the first periodic disclosure (and annually thereafter).

Reference: ESG 4.3; ESG 5.1 – 5.5

Proposed extension to "portfolio management" under CP 24/8

Scope: **UK firms** carrying on **portfolio management**[4] from **within the UK** are subject to the mandatory Naming and Marketing Rules in relation to their agreements/arrangements to provide portfolio management services where such services are provided **to UK retail clients**. Portfolio management services provided to non-UK clients and professional clients are not subject to the Naming and Marketing Rules. Portfoilio management services provided from a non-UK branch are not subject to the Naming and Marketing Rules (although firms may want to consider the application of the AGW rules in relation to such services).

Deadline: The Naming and Marketing Rules will apply from **2 December 2024**.

[3] excluding closed-ended AIFs which made no additional investments after 22 July 2013, qualifying social entrepreneurship funds and qualifying venture capital funds.

[4] "Portfolio management" has an extended meaning to cover both "managing investments" and "private equity or other private market activities consisting of either advising on investments or managing investments on a recurring or ongoing basis in connection with an arrangement the predominant purpose of which is investment in unlisted securities". NB this definition is aligned with approach taken by the FCA in its TCFD rules.

What do the rules require?

A manager must identify all UK funds which are sold to retail investors and which use sustainability-related terms in either:

- the **fund name**, or
- in a **financial promotion for retail clients**.

A non-exhaustive list of sustainability-related terms is set out at ESG 4.3.2R(2).

Requirements for funds sold to retail investors using sustainability-related terms in name

A fund must have:

- **environmental or social characteristics** which are **material** to that fund (eg at least 70% of the fund assets should have such characteristics); and
- a name which **accurately reflects** those characteristics.

Note that only funds using a Sustainability Label can use the words "sustainable", "sustainability" or "impact" or any other variation of those terms in its name where the fund is being sold to retail investors.

Requirements for funds using sustainability-related terms in name and/or in financial promotions to UK retail clients

Firms will be required to prepare certain disclosures in relation to these funds (see below).

What disclosures are required?

- **Consumer-facing disclosure** (2 pages maximum) - required from 2 December 2024.
- **Pre-contractual disclosure** (generally included in fund prospectus) – required from 2 December 2024
- **Annual periodic disclosure** – required to be published within 12 months of first use of sustainability-related term and annually thereafter.
- **Website disclosure** – firms must certain disclose certain prescribed wording on website (or other relevant digital medium) to confirm no use of Sustainability Label.

In each case the disclosure will need to meet the prescribed content requirements.

There are no prescribed templates for these disclosures. The IA and other trade associations have collaborated to produce an industry-led "standard" version of the consumer-facing disclosure.

Firms will also need to consider the application of the AGW rule to these disclosures.

<table>
<tr><th colspan="2">Is FCA approval required?</th></tr>
<tr><td colspan="2"> FCA approval is generally not required. However, in practice, FCA approval may be required for authorised funds which are changing their name or are updating their prospectus to comply with the naming and marketing rules. This will need to be assessed on a case-by-case basis. </td></tr>
<tr><th colspan="2">What are the next steps?</th></tr>
<tr><td>Scoping</td><td>Identify UK funds sold to retail using sustainability-related terms in name or in retail financial promotions.</td></tr>
<tr><td>Planning</td><td>Determine timeline for meeting 2 December 2024 compliance date, including:
Internal governance requirements (board approval, product governance process)
Confirming whether prospectus updates trigger FCA approval (authorised funds only, if necessary)
Investor relations (eg, is the change fundamental, significant, notifiable per COLL 4.3?)
Distributor/ platform notifications</td></tr>
<tr><td>Implementation</td><td> For funds using sustainability-related terms in <u>name</u>: determine whether fund has material sustainability characteristics
determine whether name accurately reflects fund's sustainability characteristics.
(if necessary) determine implications of change of fund name including: FCA approval / investor notifications / distributor and platform notifications / other notification (for example, changes to custody accounts, ISINs etc) / firm or group fund naming conventions / updates to marketing collateral, website etc. For all in-scope funds: Identify existing funds required to make enhanced disclosures from 2 December 2024.
Prepare disclosures (including consumer-facing disclosure, where relevant, and prospectus).
Determine whether existing financial promotions need to be updated to remove sustainability-related terms.</td></tr>
</table>

	• Identify appropriate KPIs that a retail client will find useful in understanding a fund's sustainability characteristics.
Ongoing compliance	• Update marketing approval process to accommodate restrictions on use of sustainability-related terms • Ensure board and other governance bodies are appropriately structured to oversee and review MI about funds (including any third-party ESG information providers used, and the sustainability claims made) – see FCA Dear CEO letter. • Identify data requirements and sources for preparation of reports. Ensure appropriate due diligence carried out on third party data sources. • Identify any data gaps or methodological challenges in reporting and whether these can be met through proxies and assumptions, • Update website to include prescribed information regarding no use of Sustainability Label. • Consider interaction of fund's periodic report with its TCFD product report (where applicable)

HOW CAN SIMMONS + SIMMONS HELP YOU?

Based on our experience to date with UK fund manager clients, we are well placed to assist firms preparing for compliance with the Naming and Marketing Rules, including:

- **Scoping**: Assisting firms with scoping of the application of the rules (including reviewing financial promotions).
- **Implementation**:
  - Assessing eligibility criteria for funds using ESG terms in fund names.
  - Drafting disclosures for funds subject to the Naming and Marketing Rules.
  - Drafting board memos in relation to application of Naming and Marketing Rules.
- **FCA applications**: Preparing authorised fund applications to the FCA authorisations team in relation to fund name changes and/or prospectus updates.
- **Ongoing compliance**:
  - Updating Compliance Manuals and other policies and procedures to account for Naming and Marketing Rules.
  - Delivering training on Naming and Marketing Rules.

ENTITY-LEVEL SUSTAINABILITY REPORT

Scope:	**UK UCITS management companies** and **UK AIFMs** are subject to the Entity-level Sustainability Report rules if their assets under management in relation to managing UK UCITS and/or managing UK AIFs is **at least GBP 5 billion** (calculated as a rolling three-year average on an annual basis). Non-UK funds are not relevant for the purposes of calculating these thresholds (although the fund manager may choose to disclose in relation to the non-UK funds within its report). Note that this threshold is narrower in scope than the threshold for the application of the FCA's TCFD rules.
Deadline:	For firms whose assets under management in relation to managing UK UCITS and/or managing UK AIFs is at least GBP 50 billion (calculated as a rolling three-year average), the first report must be published by **2 December 2025**. For all other in scope firms, the first report must be published by **2 December 2026**.
Reference:	ESG 5.4 and 5.6

Proposed extension to "portfolio management" under CP 24/8

Scope:	**UK firms** carrying on **portfolio management**[5] from **within the UK** are subject to the Entity-level Sustainability Report Rules if their **in-scope assets under management** (AUM) is **at least GBP 5 billion** (calculated as a rolling three year average on an annual basis). In-scope AUM will be limited to portfolio management services provided **to UK clients**, excluding (i) portfolio management services provided to funds, AIFMs and UCITS management companies and (ii) services provided from a non-UK branch. Note that, to the extent a UK AIFM or UK UCITS management company also provides portfolio management services, the firm would need to combine both its UK fund AUM, and its in-scope AUM from portfolio management services, in calculating the GBP 5 billion threshold.
Deadline:	For firms whose in scope AUM (combined, where relevant, with any AUM in relation to managing UK UCITS and/or managing UK AIFs) is at least GBP 50 billion (calculated as a rolling three-year average), the first report must be published by **2 December 2025**. For all other in scope firms, the first report must be published by **2 December 2026**.

[5] "Portfolio management" has an extended meaning to cover both "managing investments" and "private equity or other private market activities consisting of either advising on investments or managing investments on a recurring or ongoing basis in connection with an arrangement the predominant purpose of which is investment in unlisted securities". NB this definition is aligned with approach taken by the FCA in its TCFD rules.

<table>
<tr><th colspan="2">What do the rules require?</th></tr>
<tr><td colspan="2">In scope firms will need to publish an entity level sustainability report on how they manage sustainability-related risks and opportunities in their funds. This is the case regardless of whether the firm is its funds are using Sustainability Labels or are subject to the Naming and Marketing rules (although, in such circumstances, enhanced reporting requirements will apply).

A firm must disclose the following it its sustainability report in relation to managing sustainability-related risks and opportunities in its funds, covering a 12 month reference period:
its approach to governance
the actual and potential impacts of any <u>material</u> sustainability-related risks and opportunities on the firm's businesses, strategy and financial planning
how it identifies, assesses and manages sustainability-related risks
the metrics and targets used by the firm to assess and manage relevant <u>material</u> sustainability-related risks.
Note that a firm's TCFD entity level report must be included (or hyperlinked to) in the firm's sustainability report. As a firm will be required to publish its TCFD entity level report by 30 June each year, this may have implications for the timing of the firm's first sustainability report.

Unlike the FCA's TCFD rules, the FCA has not prescribed standards or disclosure frameworks for the sustainability report. However the FCA does identify that <u>IFRS S1</u>, <u>SASB Standards</u> and <u>GRI Standards</u> could assist with <u>determining the content</u> of the report, and recommends firms consider the <u>TCFD guidance for asset managers</u> when determining <u>how</u> to disclose.</td></tr>
<tr><th colspan="2">What disclosures are required?</th></tr>
<tr><td colspan="2">Annual sustainability report – to be published in a prominent place on the firm's website.</td></tr>
<tr><th colspan="2">Is FCA approval required?</th></tr>
<tr><td colspan="2">No FCA approval is required.</td></tr>
<tr><th colspan="2">What are the next steps?</th></tr>
<tr><td>Scoping</td><td>Confirm whether the firm is in-scope of the rules and, if so, the deadline for its first sustainability report.
Confirm enhanced disclosure requirements if using Sustainability Label or subject to Naming and Marketing rules.</td></tr>
<tr><td>Planning</td><td>Determine timeline and project plan for preparation of sustainability report (including board approval, if appropriate).</td></tr>
</table>

	• Identify existing sustainability reporting (including group level / third party reporting) that can be leveraged (noting rules regarding cross-referencing). • Consider whether the firm will want to align publication of its sustainability report with its TCFD entity level report. • Identify project team for preparation of sustainability report.
Implementation	• Confirm sustainability-related topics to be included in report including: o reviewing IFRS S1, SASB Standards and GRI Standards o identifying topics that it has prioritised in its governance, strategy and risk management. • Determine whether to disclose the firm's environmental and/or social impact. • Identify the Senior Manager to provide compliance statement in the sustainability report and determine what comfort they will need.
Ongoing compliance	• Ensure board and other governance bodies are appropriately structured to oversee and review MI about firm (including any third-party ESG information providers used, and the sustainability claims made) – see FCA Dear CEO letter. • Identify data requirements and sources for preparation of reports. Ensure appropriate due diligence carried out on third party data sources. • Identify any data gaps or methodological challenges in reporting and whether these can be met through proxies and assumptions.

HOW CAN SIMMONS + SIMMONS HELP YOU?

We have assisted a large number of FCA regulated firms with their TCFD reporting under the FCA's rules for asset managers and asset owners and we are therefore well placed to assist firms with their Entity-level Sustainability Reports, including:

- **Scoping**: Determining the application of the rules to firms
- **Planning**: Assisting firms in identifying how they can leverage existing disclosures and reports (including TCFD reports) for their Sustainability Reports
- **Implementation**:
    - Providing a framework for disclosure
    - Drafting board memos in relation to application of the Entity-level Sustainability Report.
    - Reviewing and providing feedback on Entity-level Sustainability Reports.
    - Delivering training on Entity-level Sustainability Report rules.

Appendix: SDR summary scoping decision tree

Is the Firm UK FCA authorised?

- **No** → SDRs do not apply
- **Yes** → **What activities does the Firm carry on?** ***(More than one may apply; follow all relevant branches)***
  - **Firm carries on portfolio management in UK *** (Subject to consultation)
    - UK clients
      - Fund / AIFM / ManCo
        - **AGW rule**: applies; **Labels**: not permitted
        - Other SDR rules do not apply
      - Any other client
        - Professional
          - **AGW rule**: applies; **Labels**: optional; **Entity level report**: mandatory if AUM ≥ GBP 5bn
          - **Naming and Marketing**: do not apply
        - Retail
          - **AGW rule**: applies; **Labels**: optional; **Naming and Marketing**: mandatory; **Entity level report**: mandatory if AUM ≥ GBP 5bn
    - Non-UK clients only
      - **Labels**: not permitted
      - Other SDR rules do not apply
  - **Firm is UCITS management company or AIFM**
    - UK UCITS or UK AIFs**
      - Sold to retail
        - **AGW rule**: applies; **Labels**: optional; **Naming and Marketing**: mandatory; **Entity level report**: mandatory if AUM ≥ GBP 5bn
      - Professional only
        - **AGW rule**: applies; **Labels**: optional; **Entity level report**: mandatory if AUM ≥ GBP 5bn
        - **Naming and Marketing**: do not apply
    - Non-UK funds only
      - **AGW rule**: applies; **Labels**: not permitted
      - Other SDR rules do not apply
  - **Firm distributes^ sustainability products^^ in UK**
    - Retail
      - **AGW rule**: applies; **Rules for distributors**: apply
      - Other SDR rules do not apply
    - Professional
      - **AGW rule**: applies
      - Other SDR rules (including distributor rules) do not apply
  - **Firm carries on other activities**
    - **AGW rule**: applies; **Labels**: not permitted
    - Other SDR rules do not apply

* Portfolio management has an extended meaning, comprising either "*managing investments*" or "*private equity or other private market activities consisting of either advising on investments or managing investments on a recurring or ongoing basis in connection with an arrangement the predominant purpose of which is investment in unlisted securities*".
** excluding closed-ended AIF making no additional investments post 22 July 2013, a SEF, an RVECA
^ "distribute" means, in relation to a client, offering, selling, recommending, advising on, arranging, dealing, proposing or providing a sustainability product^^ or a recognised scheme (including an ETF that is a recognised scheme).
^^ "sustainability products" are UK UCITS, UK AIFs (subject to above exclusions) and (subject to consultation) an agreement/ arrangement to provide portfolio management to UK clients (other than funds, AIFMs or ManCos). Additional rules also apply if distributing "recognised schemes"

Contacts

Nick Colston
Partner
T +44 20 7825 4147
E nicholas.colston@
simmons-simmons.com

Lucian Firth
Partner
T +44 20 7825 4155
E lucian.firth@
simmons-simmons.com

Catherine Weeks
Partner
T +44 20 7825 3940
E catherine.weeks@
simmons-simmons.com

Louise Tudor Edwards
Partner
T +44 20 7825 4539
E louise.tudor-edwards@
simmons-simmons.com

John Dooley
Partner
T +44 20 7825 4308
E john.dooley@
simmons-simmons.com

Daniel Faundez
Partner
T +44 20 7825 3649
E daniel.faundez@
simmons-simmons.com

Devarshi Saksena
Partner
T +44 20 7825 3255
E devarshi.saksena@
simmons-simmons.com

James Wallace
Partner
T +44 20 7825 4249
E james.wallace@
simmons-simmons.com

Tristram Lawton
Managing Associate
T +44 20 7825 3488
E tristram.lawton@
simmons-simmons.com

Katherine Tracey
Managing Associate
T +44 20 7825 4820
E katherine.tracey@
simmons-simmons.com

William Clarke
Supervising Associate
T +44 20 7825 3782
E william.clarke@
simmons-simmons.com

Emily Wilks
Supervising Associate
T +44 20 7825 3302
E emily.wilks@
simmons-simmons.com

For additional information on our firm, please visit our website at **simmons-simmons.com**