

# How SDR applies to Real Estate?

## Webinar

### 19 January 2024



**Thanks for joining.  
This webinar will  
begin shortly**

**Welcome**

**Ed Protheroe  
Strategy Consultant  
AREF**

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## Moderator Welcome

Melville Rodrigues  
Head of Real Estate  
Advisory, Apex Group  
& Co-Ordinator,  
Real Estate Association  
SDR Working Group

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# Sustainability Challenge: UK Real Estate

***“From residential to commercial buildings, the UK’s built environment is responsible for 25% of the UK’s greenhouse gas emissions... urgent action is needed”.***

***The Environmental Audit Committee, May 2022***



The graphic features a dark red header bar at the top. Below it, on the left, is a red vertical bar. To the right of this bar is a white area containing a small icon of a plant growing from a globe. Below the icon, the text reads "Read our Policy" in a smaller font, followed by "Sustainability Disclosure Requirements and investment labels" in a larger, bold font. At the bottom left of this white area is the FCA logo, which consists of the letters "FCA" in a stylized font, with "FINANCIAL CONDUCT AUTHORITY" written in smaller text below it. To the right of the white area is a photograph of a green, hilly landscape with several white wind turbines. The entire graphic is set against a white background.

# How SDR applies to real estate

*“...financial products that are marketed as sustainable should do as they claim and have the evidence to back it up”.*

**FCA SDR Policy Statement 23/16**



# Agenda

- 09.15** Introduction from our Moderator,  
Melville Rodrigues, Head of Real Estate Advisory, Apex Group &  
Co-Ordinator, Real Estate Association SDR Working Group
- 09.20** Presentations
- Louisa Chender, ESG Policy & Advisory, FCA
  - Shuen Chan, Head of Responsible Investment & Sustainability,  
Legal & General Investment Management Real Assets
- 09.40** Panel Discussion & Q&A
- 09.55** Closing remarks
- 10.00** Finish

# Presenters



**Louisa Chender**  
**ESG Policy & Advisory,**  
**FCA**



**Shuen Chan, Head of**  
**Responsible Investment**  
**& Sustainability, Legal &**  
**General Investment**  
**Management Real Assets**

# Sustainability disclosure requirements and labelling regime

January 2024







# Overview of regime



# Our final package of measures

## Scope

All FCA-authorized firms are in scope of the anti-greenwashing rule

The rest of our regime applies to asset managers and also distributors



We have linked our policy statement [here](#).

## The final package includes:



**An anti-greenwashing rule** for all FCA authorised firms to reinforce that sustainability-related claims must be fair, clear and not misleading. We are also consulting on supporting guidance



**Four labels** to help consumers navigate the investment product landscape and enhance consumer trust



**Naming and marketing rules** for investment products, to ensure the use of sustainability-related terms is accurate



**Consumer-facing information** to provide consumers with better, more accessible information to help them understand the key sustainability features of a product

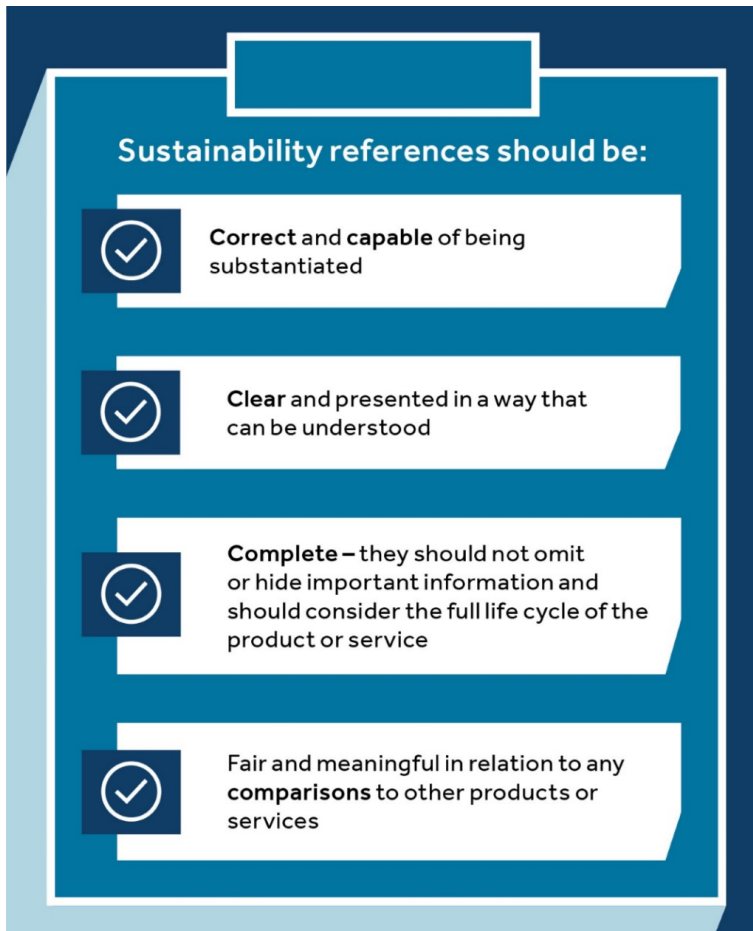


**Detailed information** in pre-contractual, ongoing product-level, and entity-level disclosures, targeted at institutional investors and consumers seeking more information



**Requirements for distributors** to ensure that product-level information (including the labels) is made available to consumers

# Anti-greenwashing rule: all FCA-authorised firms



**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



Rule (ESG 4.3.1R) reinforcing that sustainability-related references to products and services **by all authorised firms** must be **consistent** with the sustainability characteristics of the product or service; and **Fair, clear and not misleading**



Guidance is consistent with:  
**Consumer Duty** and  
**Competition and Markets Authority** and  
**Advertising Standards Agency** guidance

Consultation closes on **26 January**

# Labels



**Labels are used for investment products** which:

- Have a specific **sustainability objective** as part of their investment objectives; and
- Meet **high standards** and robust criteria to the deliver sustainability objective.



**Firms can choose to use a label**, and will assess whether their products meet the criteria.



The **purpose is to help consumers** better navigate the market. Consumers may prefer a product without a label which matches their own interests and needs.



**Sustainability Focus**

To invest in assets that are environmentally or socially sustainable



**Sustainability Improvers**

To invest in assets that have the potential improve sustainability over time



**Sustainability Impact**

To achieve a predefined, positive, measurable environmental and/or social impact



**Sustainability Mixed Goals**

To invest in assets that are sustainable, have the potential to improve sustainability, and/or aim to achieve positive impact.

# Naming and marketing

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## Naming

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The product's name must accurately reflect its sustainability characteristics

The terms 'sustainable', 'sustainability' and 'impact' are only for labelled products

Sustainability characteristics should be material to the product (eg at least 70% having sustainability characteristics).

## Marketing

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Meet the anti-greenwashing rule

Produce the same types of disclosures for labelled products so consumers have consistent information

Publish a statement in a prominent place explaining why the product doesn't have a label

### Note the exceptions

when using terms in other contexts eg 'financial impact' and

when making short, factual, non-promotional statements eg 'Firm X products its sustainability product reports annually'.

# Disclosures

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## Consumer-facing

**Firms must produce a short, standalone consumer-facing disclosure for labelled products or unlabelled products using sustainability-related terms.**

## Detailed product level

**Firms using labels or sustainability-related terms must produce more detailed pre-contractual and ongoing sustainability disclosures.**

## Entity level

**Firms with AUM >£5 billion must produce a sustainability entity report, which builds from the TCFD entity report.**





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[www.fca.org.uk](http://www.fca.org.uk)



# How the Sustainability Disclosure Requirements (SDR) and investment labels regime applies to Real Estate

19<sup>th</sup> January 2024





## Introduction to LGIM Real Assets

Committed to delivering solutions that meet the long-term needs of our clients, businesses and communities



**LGIM Real Assets is one of the UK's largest asset managers in real estate, infrastructure and private credit, taking a long-term view to bring about positive change and create sustainable investor value.**

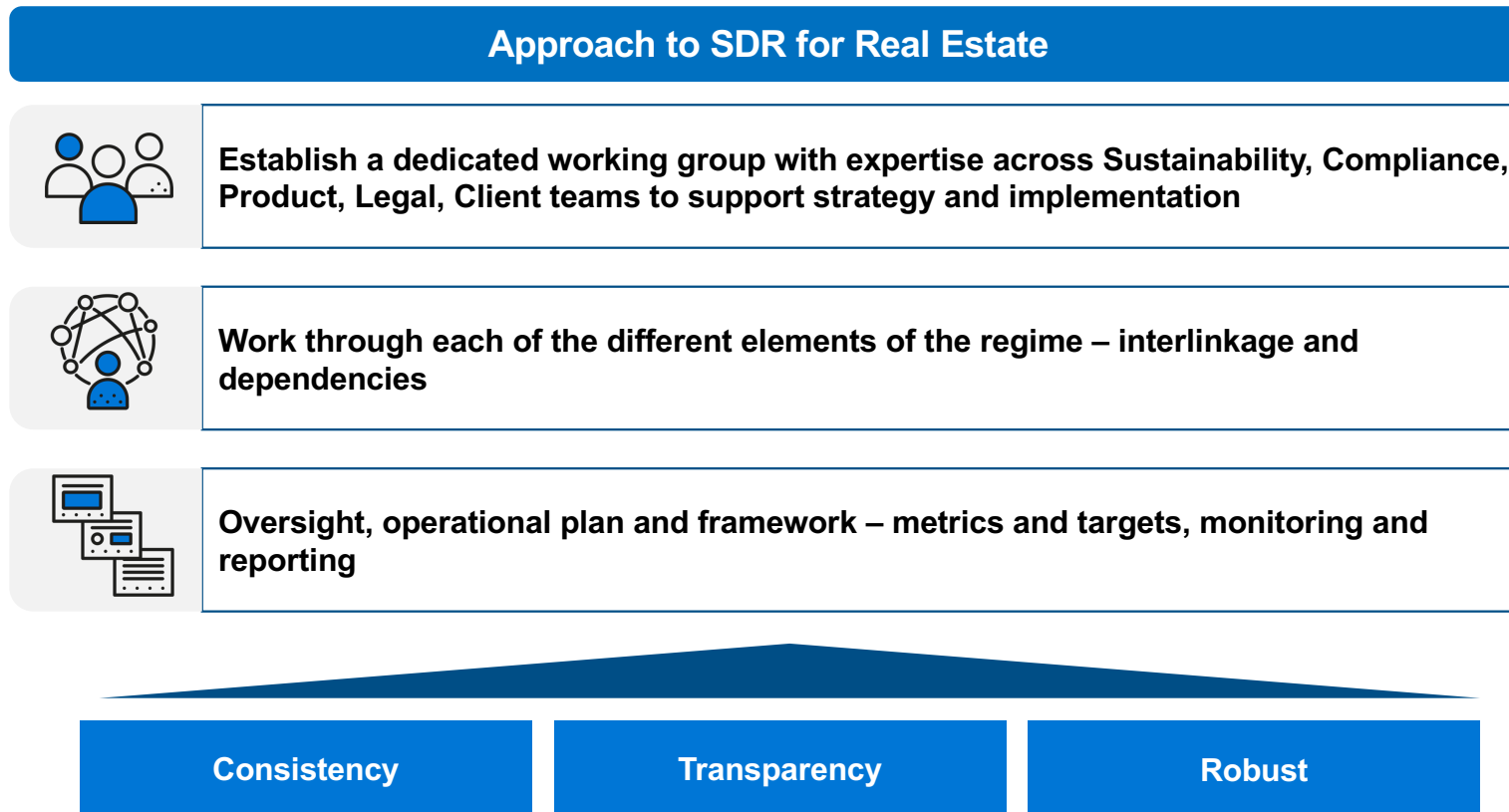


Source: LGIM Real Assets. AUM data estimates as at 30 September 2023.

<sup>1</sup> Includes Real Estate Lending, Infrastructure Debt, Corporate Debt and Alternative Debt.

<sup>2</sup> Total purchases and sales for Real Estate Equity and Private Credit for the Full Year 2022

## Approach to SDR in Real Estate



<sup>18</sup> | For illustrative purposes only.

# Legal & General Investment Management

## LGIM UK Disclaimer and important legal notice

### Key risks

The value of investments and the income from them can go down as well as up and you may not get back the amount invested. Past performance is not a guide to future performance.

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## Panel Discussion & Q&A

(To ask a question - please use the Q&A panel to type your question to the Moderator)



# Thank you for joining

