How SDR applies to Real Estate?

Webinar

19 January 2024

Thanks for joining. This webinar will begin shortly.
Welcome

Ed Protheroe
Strategy Consultant
AREF
Moderator Welcome

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

Anti-greenwashing rule: all FCA-authorised firms

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
- Competition and Markets Authority
- 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.

<table>
<thead>
<tr>
<th>Sustainability Focus</th>
<th>Sustainability Improvers</th>
<th>Sustainability Impact</th>
<th>Sustainability Mixed Goals</th>
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<tbody>
<tr>
<td>To invest in assets that are environmentally or socially sustainable</td>
<td>To invest in assets that have the potential improve sustainability over time</td>
<td>To achieve a predefined, positive, measurable environmental and/or social impact</td>
<td>To invest in assets that are sustainable, have the potential to improve sustainability, and/or aim to achieve positive impact.</td>
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Naming and marketing

**Naming**

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 (e.g. at least 70% having sustainability characteristics).

**Marketing**

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 e.g. ‘financial impact’ and
- when making short, factual, non-promotional statements e.g. ‘Firm X products its sustainability product reports annually’.
Disclosures

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

19th 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
£36bn

Real estate equity
£18.6bn

Private credit
£17.4bn¹

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.
1 Includes Real Estate Lending, Infrastructure Debt, Corporate Debt and Alternative Debt.
2 Total purchases and sales for Real Estate Equity and Private Credit for the Full Year 2022
Approach to SDR in Real Estate

- Establish a dedicated working group with expertise across Sustainability, Compliance, Product, Legal, Client teams to support strategy and implementation.
- Work through each of the different elements of the regime – interlinkage and dependencies.
- Oversight, operational plan and framework – metrics and targets, monitoring and reporting.

Consistency | Transparency | Robust

For illustrative purposes only.
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