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ASSOCIATION

# SDR IMPLEMENTATION SURVEY RESULTS

June 2025

START



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## ABOUT THE SURVEY

From March-April 2025, the IA ran a survey of members to build a comprehensive understanding of member experience and adoption of the FCA's Sustainability Disclosure Requirements (SDR) and Investment Labels rules.

This is the second year that the IA has surveyed member firms about SDR. The 2024 survey asked members about their intentions around SDR, and we have compared the 2024 and 2025 responses where relevant.

The IA received 50 responses from member firms.

- Respondents to the survey between them run over 3,100 UK authorised and recognised funds with total funds under management of approximately £1.1 trillion.
- UK investor FUM in responsible and sustainable funds is £94 billion as at Q1 2025, equivalent to 6.5% of UK investor FUM. Survey respondents account for almost 80% of total FUM in UK domiciled Responsible and Sustainable funds – this includes funds operating fund specific exclusions as well as funds with a sustainable focus and impact funds.

## NEXT STEPS FOR THE IA

The research and data presented in this report will be used to support the IA's policy objectives and ongoing engagement with the FCA, Government and other external stakeholders.



# EXECUTIVE SUMMARY

## LABEL ADOPTION

- Two-fifths (38%) of the 50 surveyed firms have adopted an SDR label for at least one of their funds. The majority (69%) of firms planning to adopt labels over the next 12-24 months have not yet used an SDR label at time of surveying.
- The IA is aware of 110 funds that have used one of the four SDR labels available to them. This is less than half the number of funds (216 funds) that we were expecting to adopt a label based on our April 2024 survey of members.
- Currently, the 'Sustainability Focus' label accounts for over half of all labelled funds (65 funds). The 'Sustainability Mixed Goals' label is being used for the fewest number of funds (5 funds). Only one firm has adopted labels for index tracking funds. One third of firms who were intending to adopt a label at time of surveying in 2024, have not yet done so when surveyed in 2025.
- All firms had to make changes to their labelled funds in order to meet the labelling criteria. This includes over 90% of firms who had to update the fund's investment policy.

## UNIVERSE OF SDR LABELLED FUNDS

- 89 of the 110 labelled funds are in the IA's funds database. Total funds under management (FUM) of these funds is £39.5 billion, lower than our estimate for 2024 of £45.6 billion and equivalent to 2.5% of UK domiciled FUM.
- Over half (56%) of labelled funds are equity funds, classified across 8 IA equity sectors. The Global sector accounts for 58% of labelled equity funds. The remaining funds are split almost evenly across Fixed income, Multi-asset and Other sectors.
- Last year's survey suggested that 33 funds in the Volatility Managed sector would end up with an SDR label. As of time of surveying just 5 funds in this sector have adopted a label.
- Although two thirds (66%) of the 89 funds are sustainability Focus funds, yet 83% of labelled universe FUM sits in these funds, suggesting that funds adopting the other 3 labels are relatively small in terms of FUM.



**EXECUTIVE SUMMARY**  
**NAMING AND MARKETING RULES**

- 80% of respondents have non-labelled funds with sustainability characteristics. The IA estimates that there are over 360 funds that fall in this category with FUM of over £130 billion.
- Firms with non-labelled funds with sustainability characteristics are primarily applying exclusions (83%) or integrating ESG (75%).
- The primary reasons for not adopting an SDR label include not meeting FCA threshold criteria (65%) and a fund not having a sustainable investment objective (63%).
- 56% of firms had to make changes to their funds as a result of the naming and marketing rules, largely related to changing or removing the use of restricted terms from the fund name.

**FCA AUTHORISATIONS PROCESS**

- All firms had to pull their first FCA application for fund documentation approval and resubmit their applications. On average, firms who have adopted a label submitted 3 applications to the FCA for their first labelled fund(s).

- Including the period of informal conversations with the FCA, the length of time until final approval was received was on average 27 weeks.

**IMPLEMENTATION COSTS**

- Implementation costs varied by firm, with two thirds (67%) of firms reporting that costs were in line or lower than the FCA estimates. More firms with non-labelled funds stated that their implementation costs were significantly higher than the FCA estimates, compared with firms with labelled funds.

**WHAT WENT WELL AND TOP CHALLENGES**

- Many firms were happy with the level of industry collaboration in helping them implement SDR within their own business. However, confusion over the implementation of the SDR rules, inconsistency in application of the rules within the FCA and a lack of timely guidance/examples from the regulator were significant challenges for survey respondents.



# 01

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## SECTION ONE

### SDR Label Adoption

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**LABEL ADOPTION**

Over a third of firms have adopted a sustainability label for at least one of their funds. A quarter of firms expect to adopt additional/ first labels in the next 12-24 months. The majority (69%) of these firms do not currently have any labelled products.

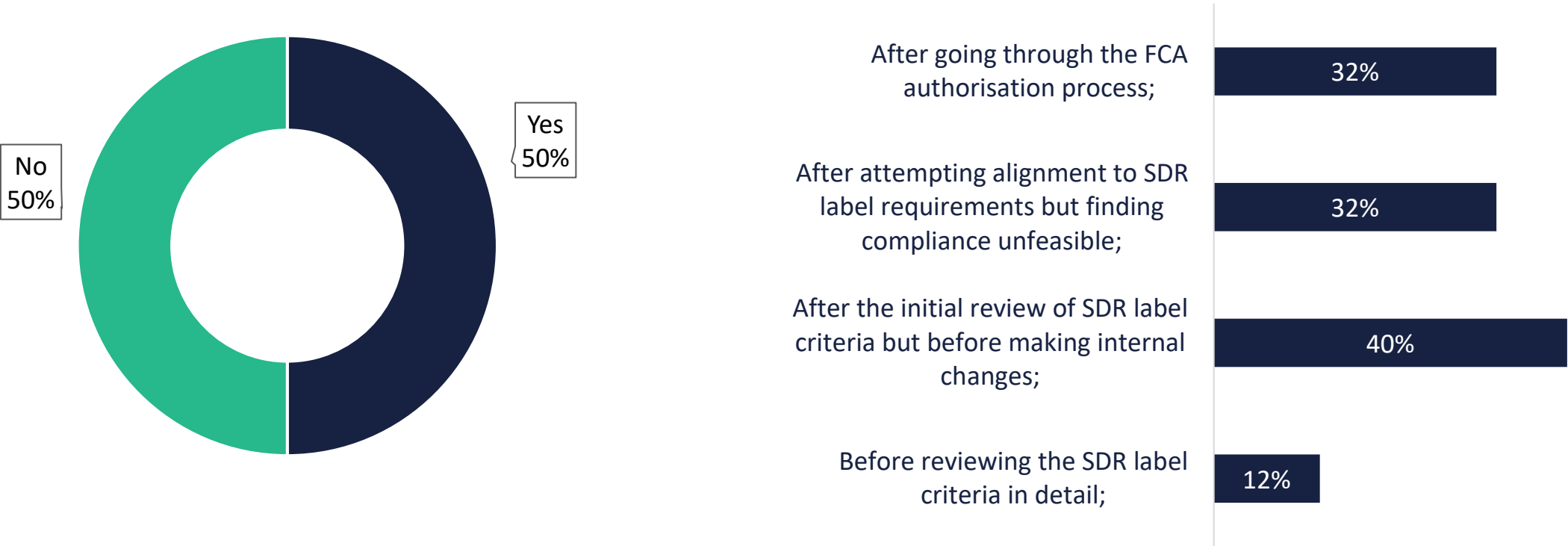


Q: Have you adopted an SDR label for at least one of your funds?

Q: Do you expect to label any additional funds in the next 12-24 months?

LABEL ADOPTION

Half of firms have at least one fund where they considered adopting a label but later decided against it. One third of these firms made this decision after going the FCA authorisations process.



Q: Does your firm have any funds that were considered for an SDR label but where you later decided against it?

Q: If yes, at what stage in the process did you decide not to pursue a label?



## LABEL ADOPTION

**A number of firms believe that their funds could and should end up with an SDR label but could not meet the timescales and found the FCA authorisation process unclear. Some firms also highlighted particular challenges with applying SDR labels to index tracking funds and fund-of-funds products.**

*We initially applied for a label but found the FCA's expectations unclear and the funds did not qualify for the April extension, so we withdrew the application to focus on meeting the December 2024 N&M deadline. We will soon be reapplying.*

*We went through the label application for the fund, however the FCA could not get comfortable with it having a label.*

*We believe that the funds do meet the requirements of SDR but did not get through the FCA process in time for 2nd Dec 2024. We intend to re-apply for these funds in due course.*

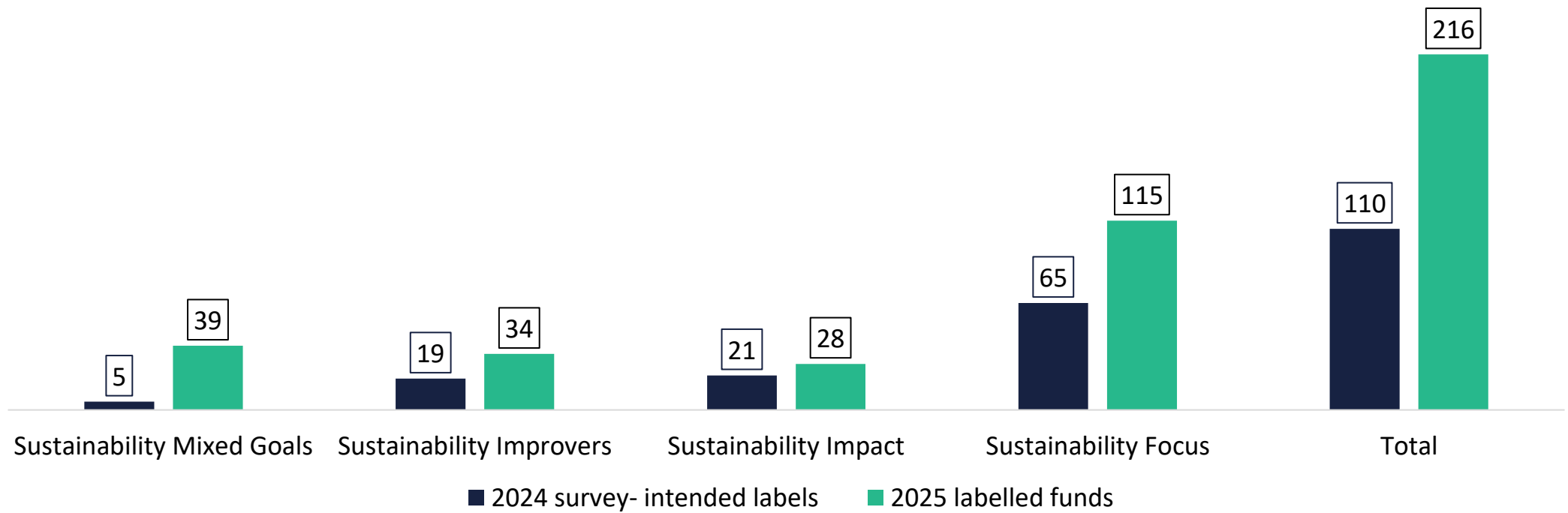
*There are distinct challenges for passive and multi-manager funds to meet the criteria.*

*Use of a label is under review.*



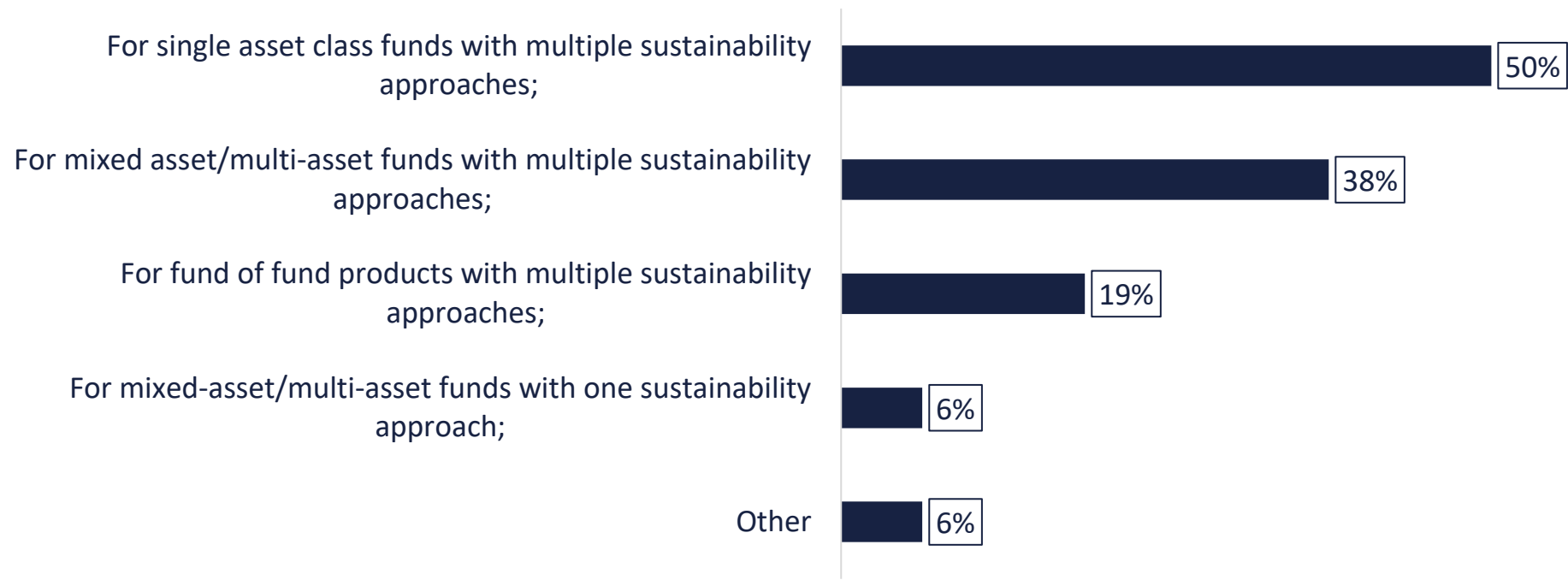
**LABEL ADOPTION**

Firms have adopted labels for less than half the funds they indicated in the 2024 survey - 110 compared with 216. One third of firms intending to adopt labels in 2024 have not yet labelled any of their products at time of surveying.



**LABEL ADOPTION**

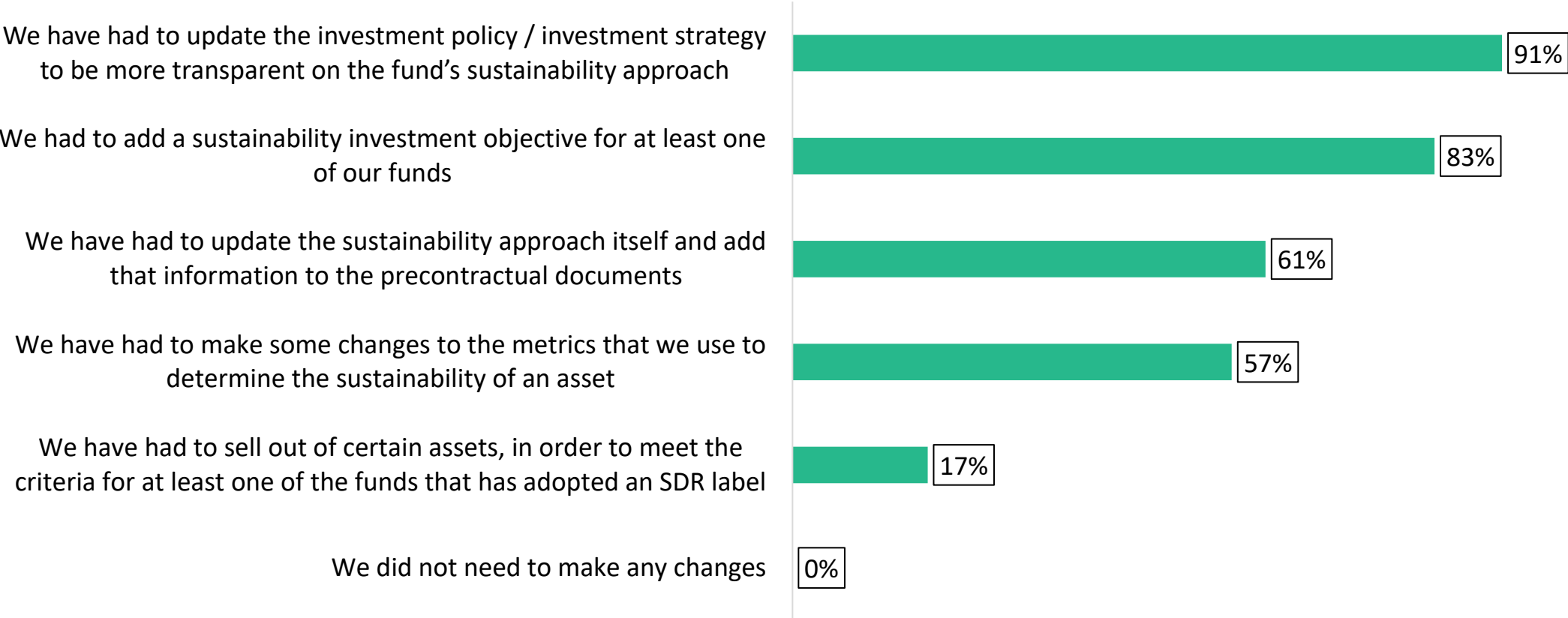
Looking at our 2024 survey data on the types of funds firms were intending to adopt a Sustainability Mixed Goals Label – 38% of firms were intending to apply the label to mixed asset funds with multiple sustainability approaches and 19% to fund of funds products – which require an additional level of look through to determine the threshold and metrics used to meet the label criteria.



Q: [From 2024 survey] Please tell us a bit more about the fund(s) that will be labelled Sustainability Mixed Goals. What is the profile of funds to which you will be applying this label?

LABEL ADOPTION

Most firms adopting an SDR label had to add in a sustainability objective and update the policy statement



Q: Which of the following changes have you had to make to at least one of your funds in order to comply with the labelling rules?

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## SECTION TWO

### Analysis of Sustainable Funds Universe

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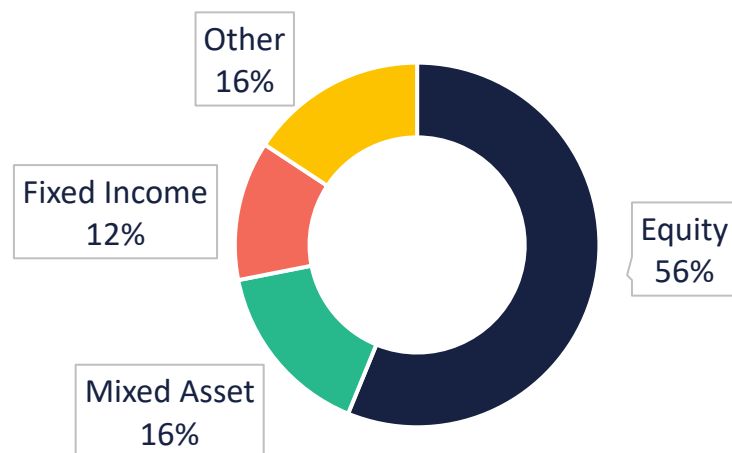
## ANALYSIS OF FUNDS UNIVERSE

### Equity funds will account for the majority of labelled funds by number and funds under management.

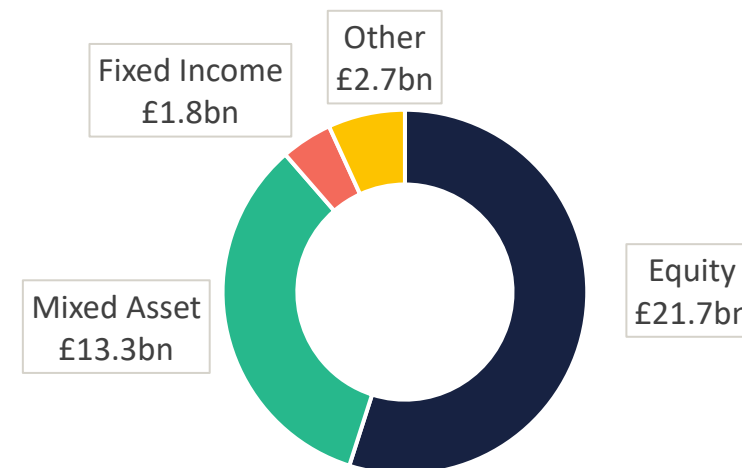
Of the 110 funds, 89 funds are in the IA funds database, with total funds under management of £39.5 billion, lower than our estimate for 2024 of £45.6 billion. As a proportion of FUM, this is equivalent to 2.5% of UK domiciled FUM, lower than the 3.2% we reported in 2024.

- In terms of number of funds and FUM, the asset class split is broadly in line with what we reported in last year's survey. Over half of labelled funds are equity funds, classified in 8 IA equity sectors. The Global sector accounts for 58% of labelled equity funds.
- Almost two thirds of the funds in the 'Other' asset class category sit in the Volatility Managed and Property sectors.
- Although considerably smaller by number of funds, the mixed asset funds account for over a third of FUM, suggesting that there are a small number of relatively large mixed asset funds that have adopted an SDR label.

#### NUMBER OF LABELLED FUNDS- BY ASSET CLASS



#### SIZE OF LABELLED FUNDS BY FUM



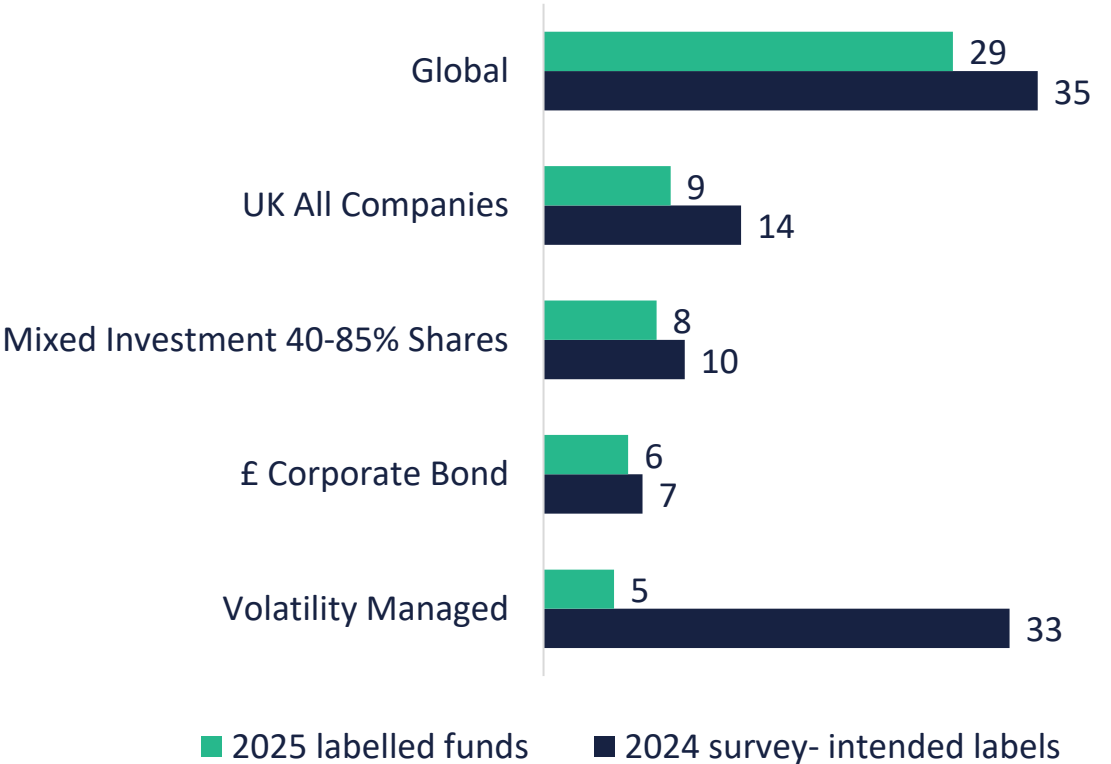
ANALYSIS OF FUNDS UNIVERSE

One third of all labelled funds are Global Equity funds. Far fewer funds in the Volatility Managed sector have adopted a label than anticipated.

Based on this universe :

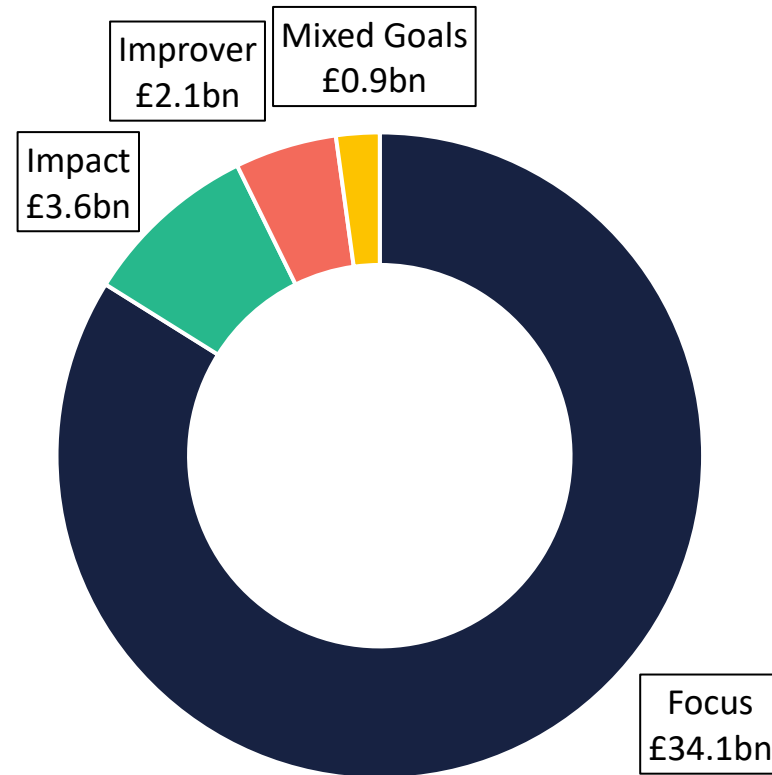
- Over three quarters of the equity funds that have used an SDR label are in the Global and UK All Companies sectors.
- The Sterling Corporate Bond sector accounts for over half of all labelled fixed income funds.
- Based on the results of last year’s survey, we expected to see many Volatility Managed funds adopt an SDR label. In practice, just 5 labelled funds fall in this sector in April 2025.
- The chart on the right-hand side presents the sectors which will have at least 5 labelled funds and represents 57 out of the 89 funds that we have identified as having adopted a label within the IA’s database.
- The remaining 32 funds sit across 17 IA sectors.

SECTORS WITH AT LEAST FIVE LABELLED FUNDS

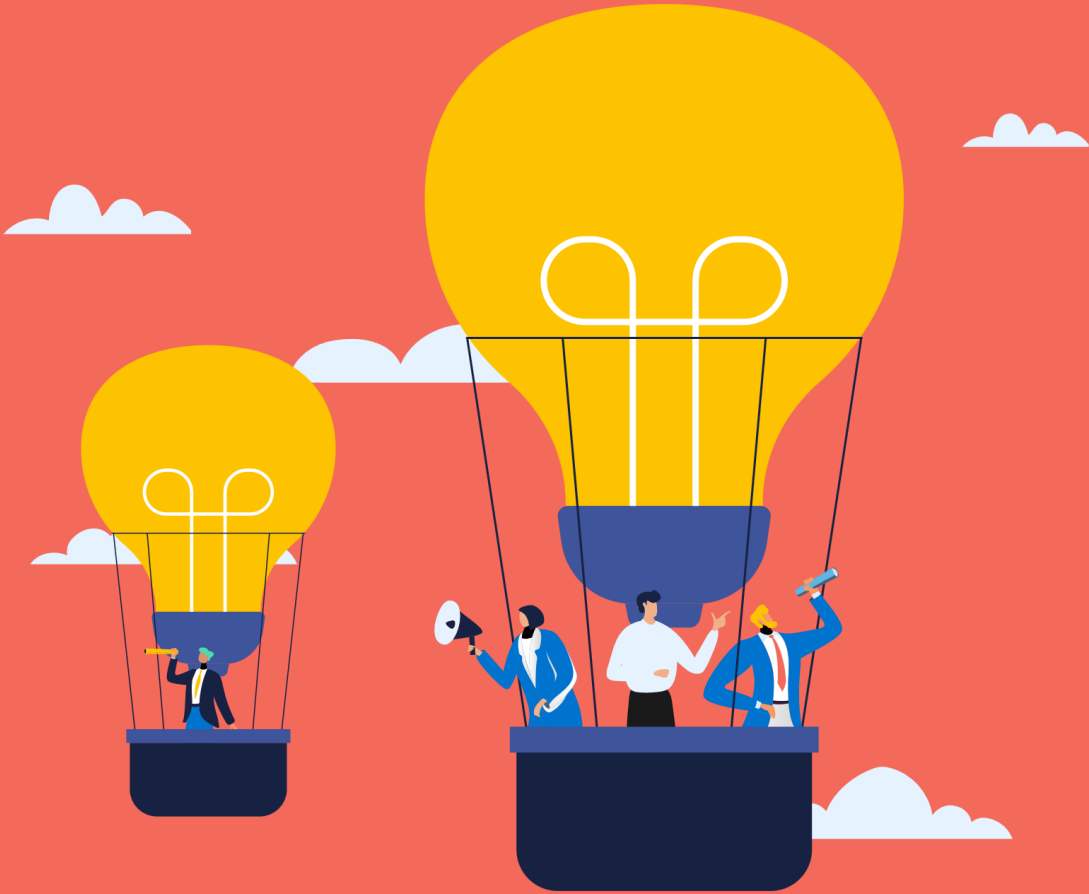


## ANALYSIS OF FUNDS UNIVERSE

The Sustainability Focus label currently accounts for over four fifths of FUM in labelled funds, suggesting that funds in the Sustainability Impact, Improver and Mixed Goals categories are smaller on average.







# 03

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## SECTION THREE

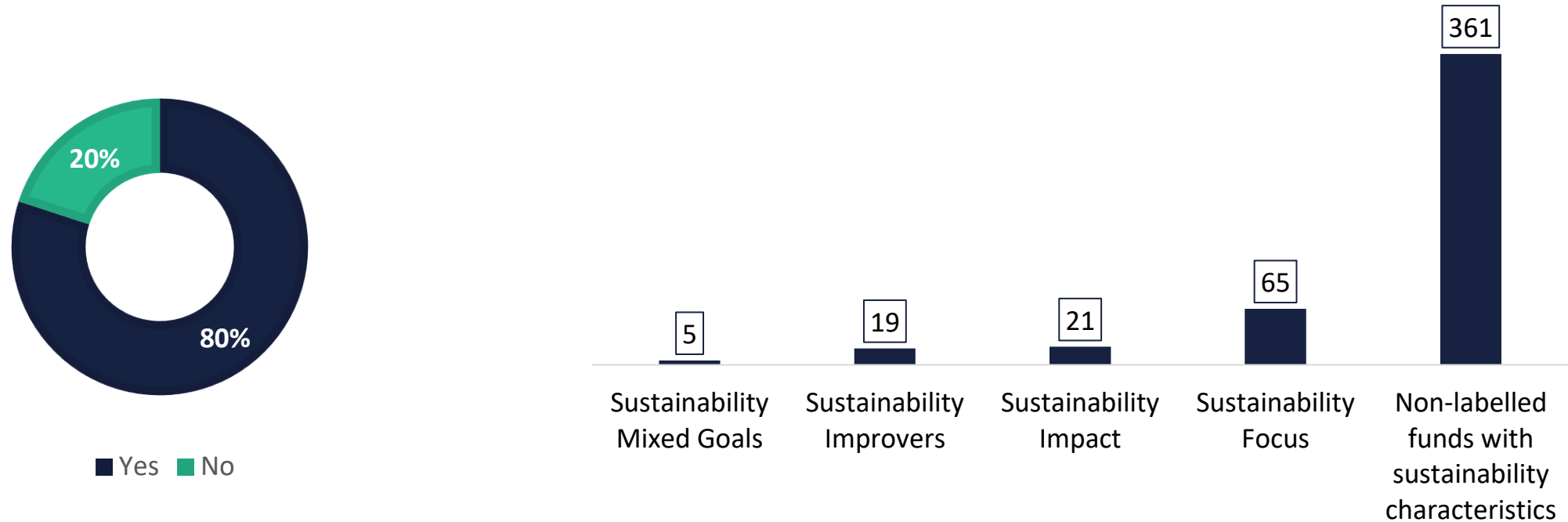
### Naming and Marketing Rules

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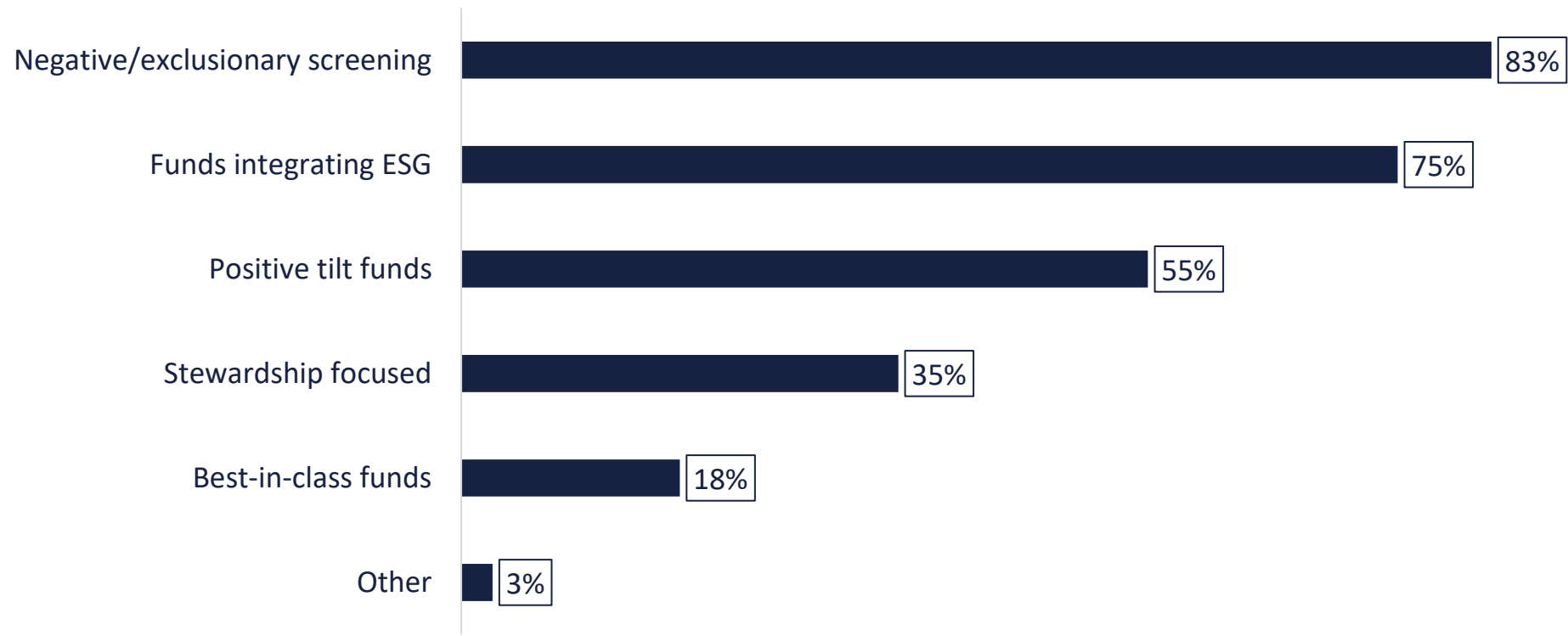
**NAMING AND MARKETING RULES**

Four-fifths (80%) of survey respondents have non-labelled funds that are subject to additional disclosure requirements under the naming and marketing rules. Over 360 funds fall in this bucket, with estimated FUM of over £130 billion.



NAMING AND MARKETING RULES

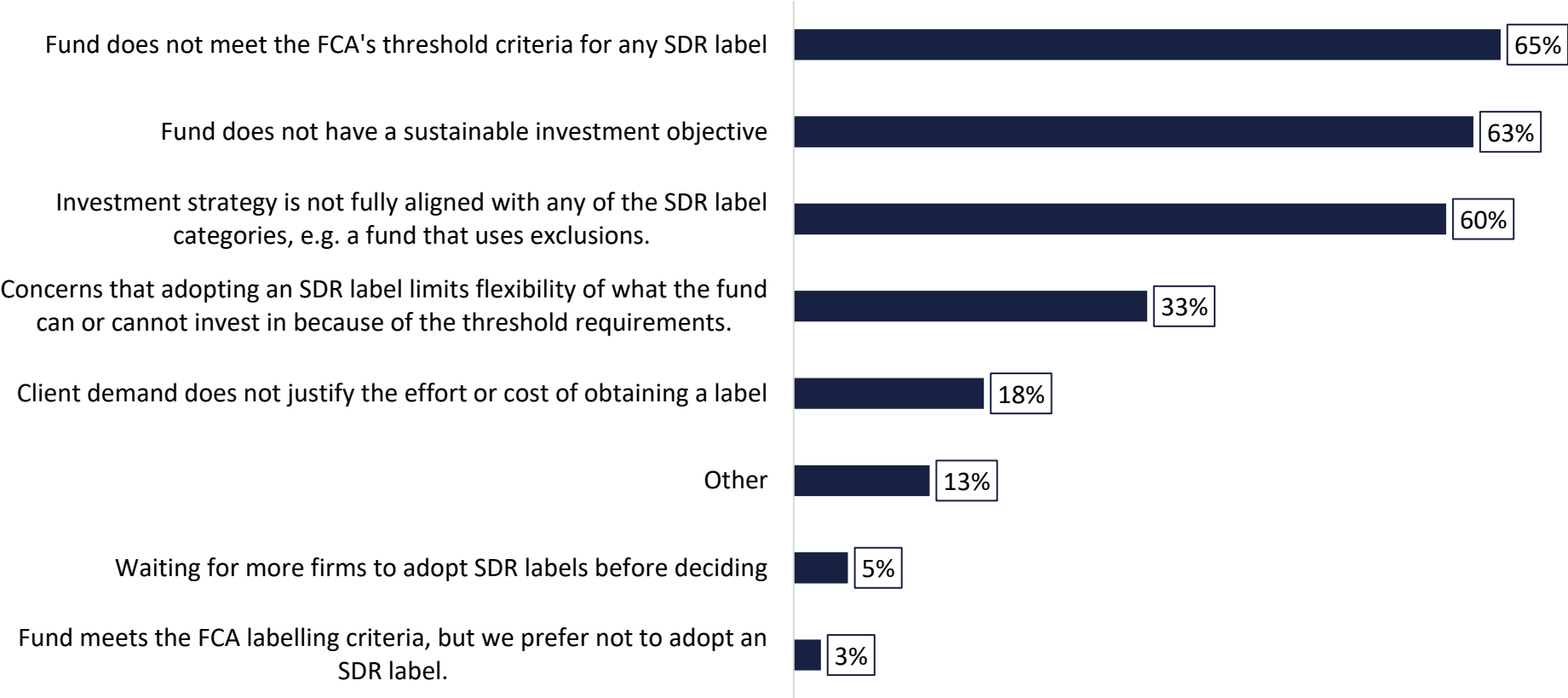
Funds with sustainability characteristics are adopting several approaches, most commonly applying exclusions and ESG integration



Q: What sustainable investment approaches do these unlabelled funds with sustainability characteristics follow?

NAMING AND MARKETING RULES

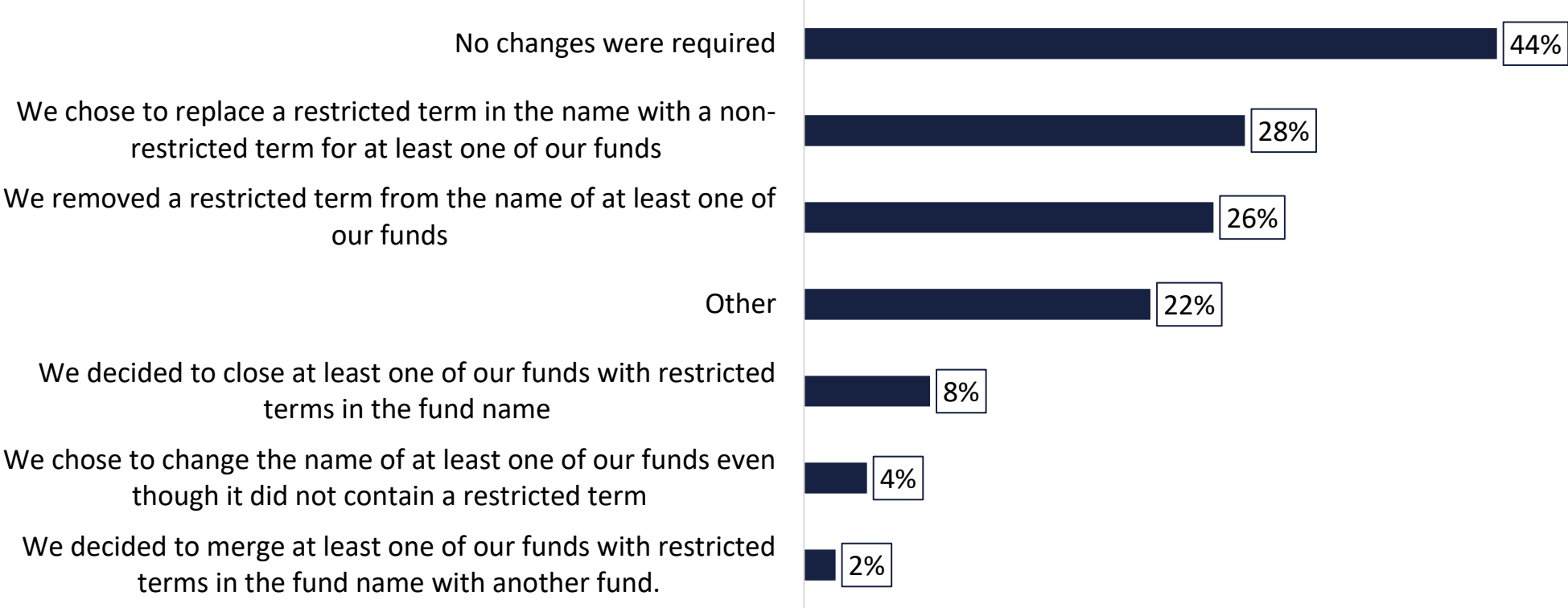
The top three reasons for not labelling these funds is that the funds do not meet the FCA threshold criteria, the funds do not have an explicit sustainability objective, and the investment strategy is not aligned with any of the label categories.



Q: What are the primary reasons for not adopting an FCA sustainability label for funds complying with the naming and marketing rules?

**NAMING & MARKETING RULES**

**Over half (56%) of firms had to make changes to their funds as a result of the naming and marketing rules - largely related to changing or removing the use of restricted terms from the fund name.**

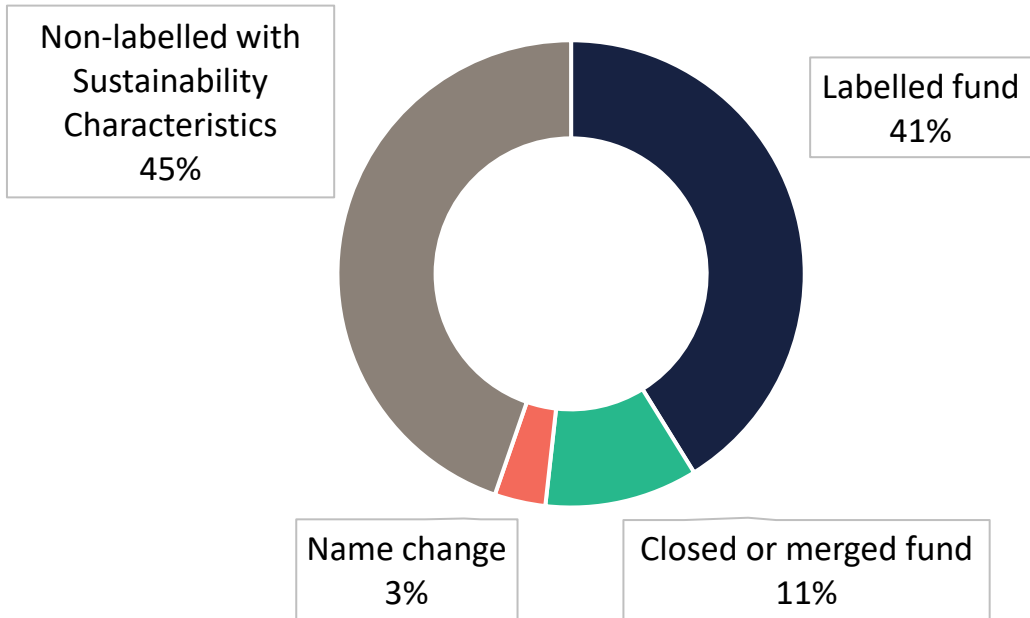


*Q: Which of the following changes have you had to make to your funds in order to comply with the naming and marketing rules?*

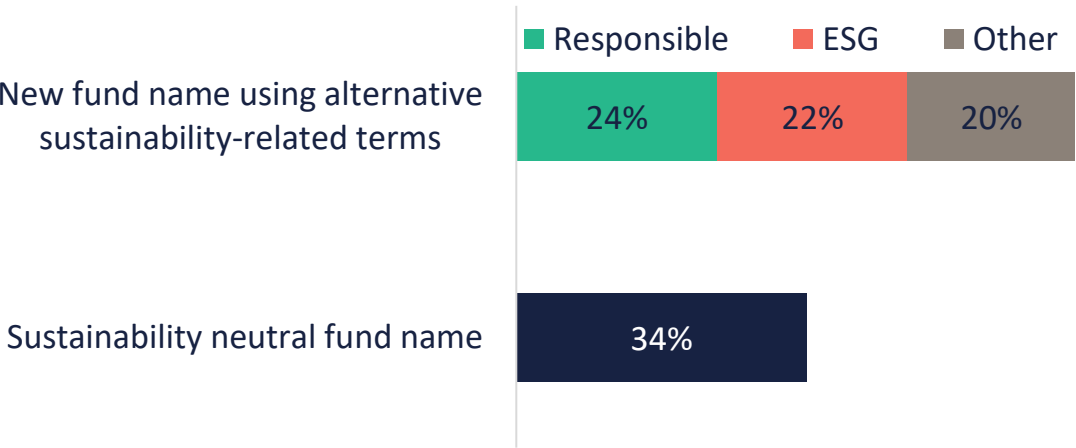
NAMING & MARKETING RULES

In 2024, 170 funds in the IA database were using the terms ‘Sustainable’ or ‘Impact’ in the fund name. Less than half of these funds have since adopted an SDR label. Most of the remaining active funds have used alternative terms to replace ‘Sustainable’- most commonly ‘Responsible’ or ‘ESG’ .

LABEL ADOPTION FOR 170 FUNDS USING RESTRICTED TERMS



TERMS USED BY NON-LABELLED FUNDS REPLACING RESTRICTED TERMS



## NAMING AND MARKETING RULES

Many firms made changes to their disclosures and investment frameworks – as these quotes show, some firms removed sustainable characteristics and others strengthened the criteria and metrics used.

*We included additional disclosures (in the investment policy / prospectus) to explain the sustainability characteristics.*

*ESG integration risk removed from 4 funds as not material to funds.*

*We repositioned two of our funds removing restricted terms in the fund name and removed binding ESG characteristics in the investment policy as we believe the funds will deliver better value for our clients over the longer term.*

*We introduced a new requirement for three of the funds to invest a minimum of 70% of their assets in investments that demonstrate positive environmental and/or social themes. For the remaining fund which is the lowest risk in the range and has greater exposure to fixed income and cash, we imposed a lower minimum (65%) in order to maintain the fund's risk profile.*

*We introduced new criteria and metrics into our responsible investing framework that we use to assess, select and monitor assets for the funds, in order to: a) strengthen the framework and b) provide investor with more measurable information in the fund's pre-contractual disclosures and ongoing reporting.*



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## SECTION FOUR

### FCA Authorisations Process

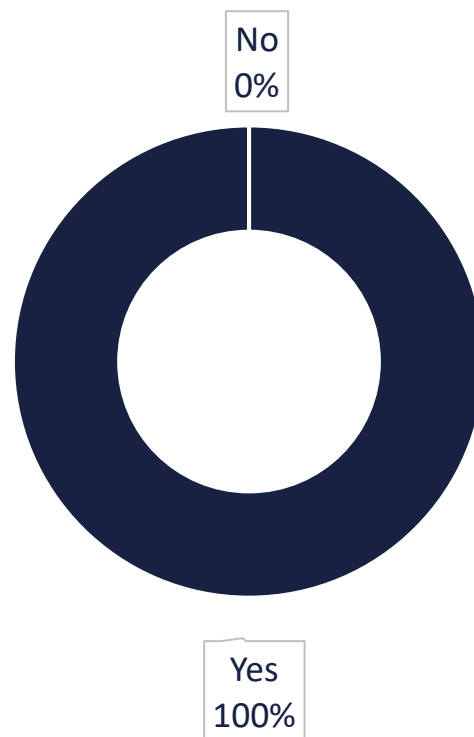
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## FCA AUTHORISATIONS PROCESS

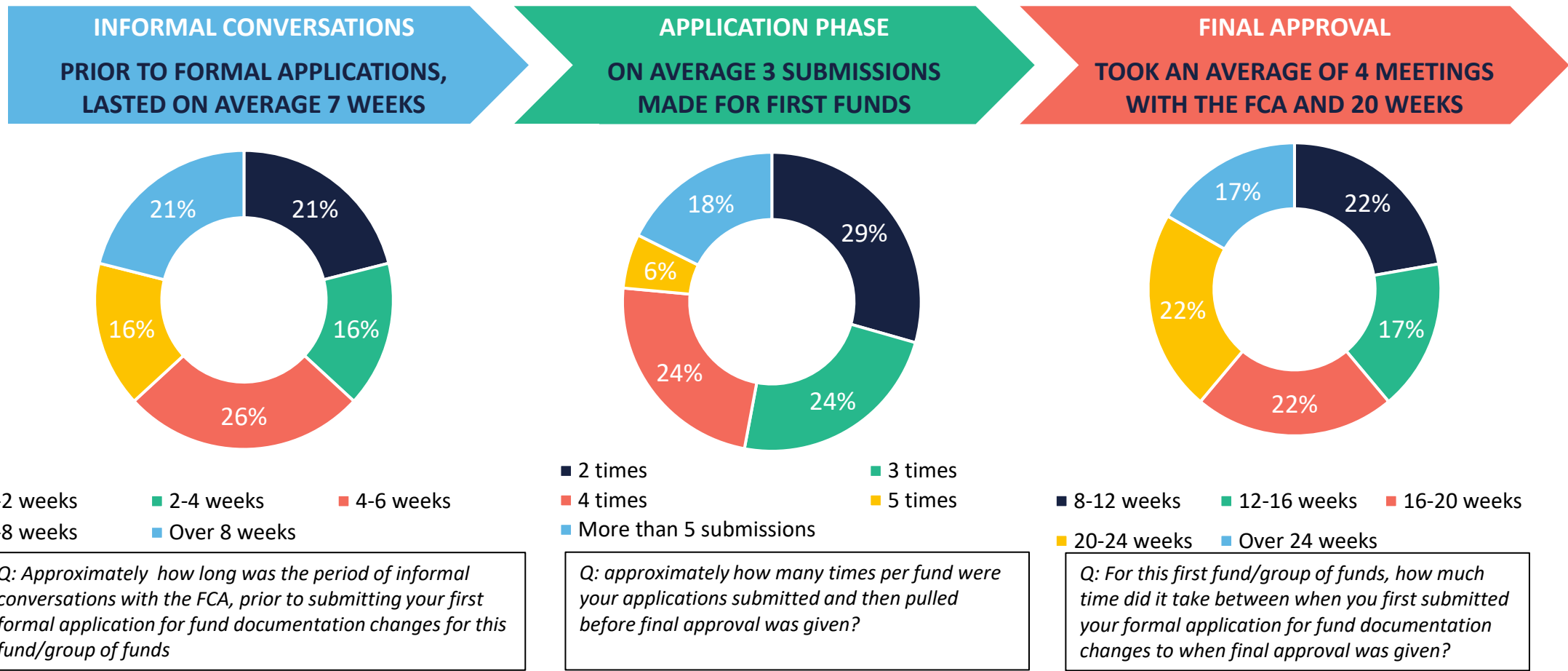
**All firms with labelled funds had to pull their first application for fund documentation changes and resubmit a new application.**



*Q: Once you submitted your formal application for fund documentation changes for this first fund/group of funds, did you have to pull the application at any point and resubmit a new application?*

FCA AUTHORISATIONS PROCESS

On average firms submitted 3 applications for fund documentation approval, spent 7 weeks in informal conversation with the FCA and took 20 weeks to get final approval, for a total of 27 weeks end to end.





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## SECTION FIVE

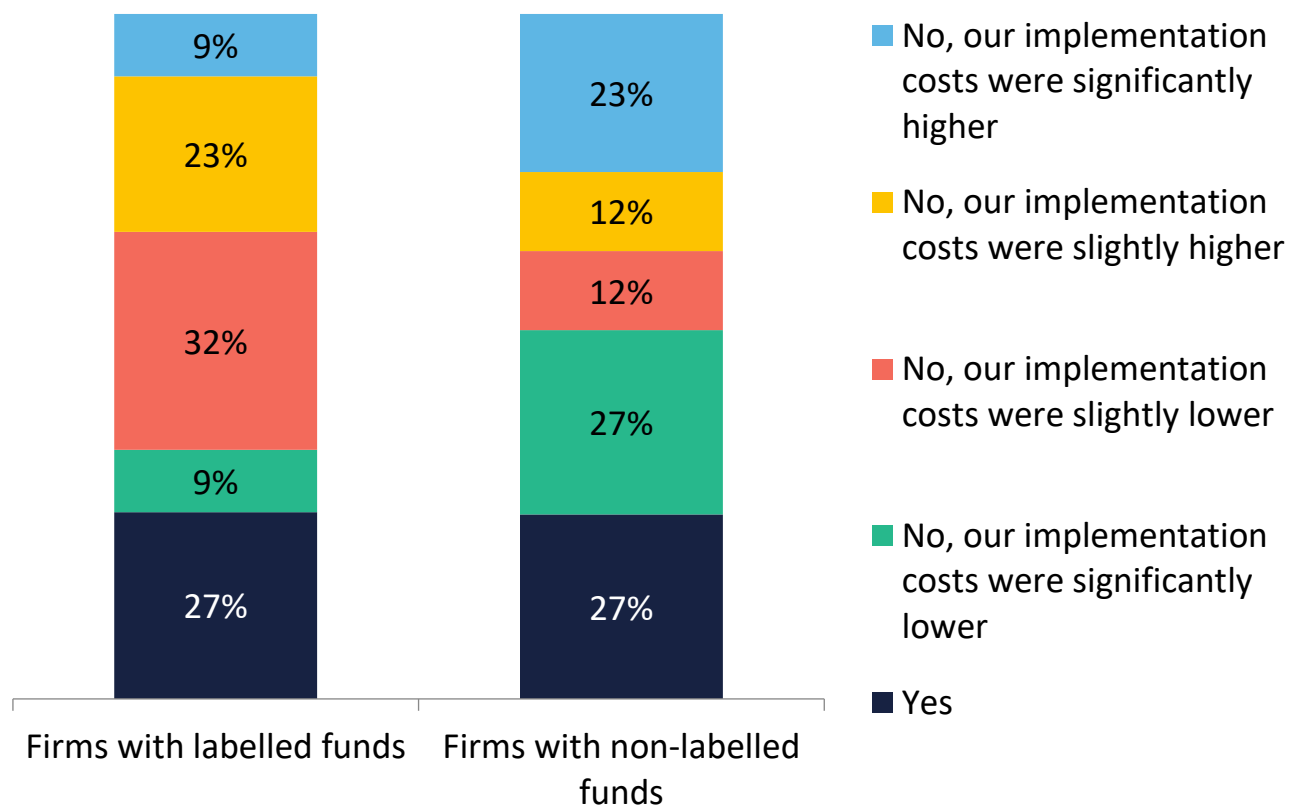
### Implementation costs

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## IMPLEMENTATION COSTS

Implementation costs varied by firm. Around a third of firms have stated that implementation costs were broadly in line with the FCA's estimates. More firms with non-labelled funds stated that their implementation costs were significantly higher than the FCA estimates, compared with firms with labelled funds.



In its cost-benefit analysis (FCA PS23/16, chapter 12, table 22), the FCA, estimated, *inter alia*:

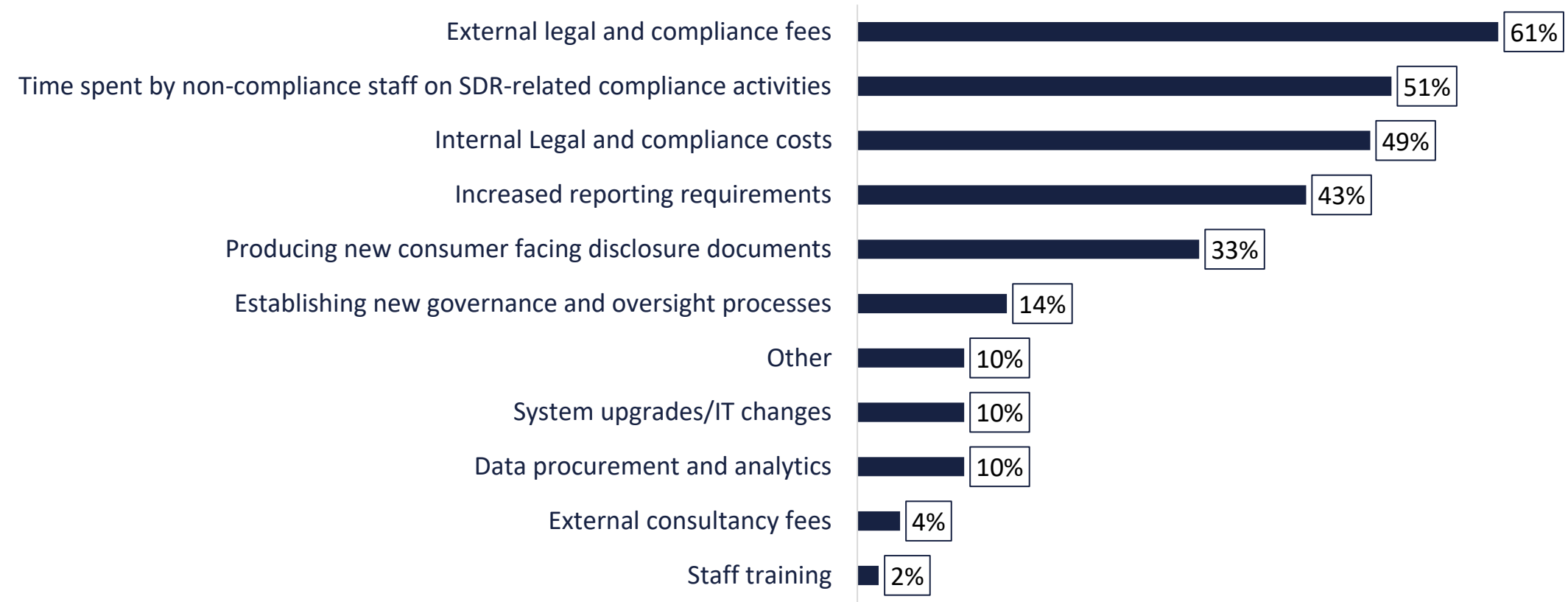
- For asset managers using a label, average one-off cost per firm £351k and then ongoing (annual) average cost per firm £217k
- For asset managers using sustainability-related terms, average one-off cost per firm £180k and then average costs per firm ongoing (annual), £109k

Q: Have your implementation costs been broadly in line with the above estimates?



IMPLEMENTATION COSTS

External and internal legal and compliance fees were the most common driver of implementation costs for firms. Time spent by non-compliance staff on SDR related activities was the second most selected driver of implementation costs.



Q: What were the primary cost drivers for SDR implementation?

## IMPLEMENTATION COSTS

**For many firms, SDR implementation over the last 12-18 months required input from colleagues across the business, not just compliance and legal teams.**

*Approx 60 different people from across the firm were engaged on the implementation. This includes compliance and legal professionals, investment staff, client managers, marketing and comms teams, website & digital comms.*

*There are very few areas of the firm which have not been impacted or contributed in some way to our efforts on SDR so this could be a very large number, however, in terms of employees with a specific focus on the dedicated programme, this can be estimated to 20.*

*Core group of around 7, but a much wider working group involved.*

*14 FTEs (though the number of people involved is well over 50).*

*The cost of implementing all aspects of the SDR regime has been very onerous, especially for smaller or medium sized firms. It has impacted multiple departments across the business and had a significant impact on our BAU work and processes.*

*Various different teams (legal/compliance/ESG/HLFM). Employees range in seniority - equates to around 0.5 FTE in total.*



# 06

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## SECTION SIX

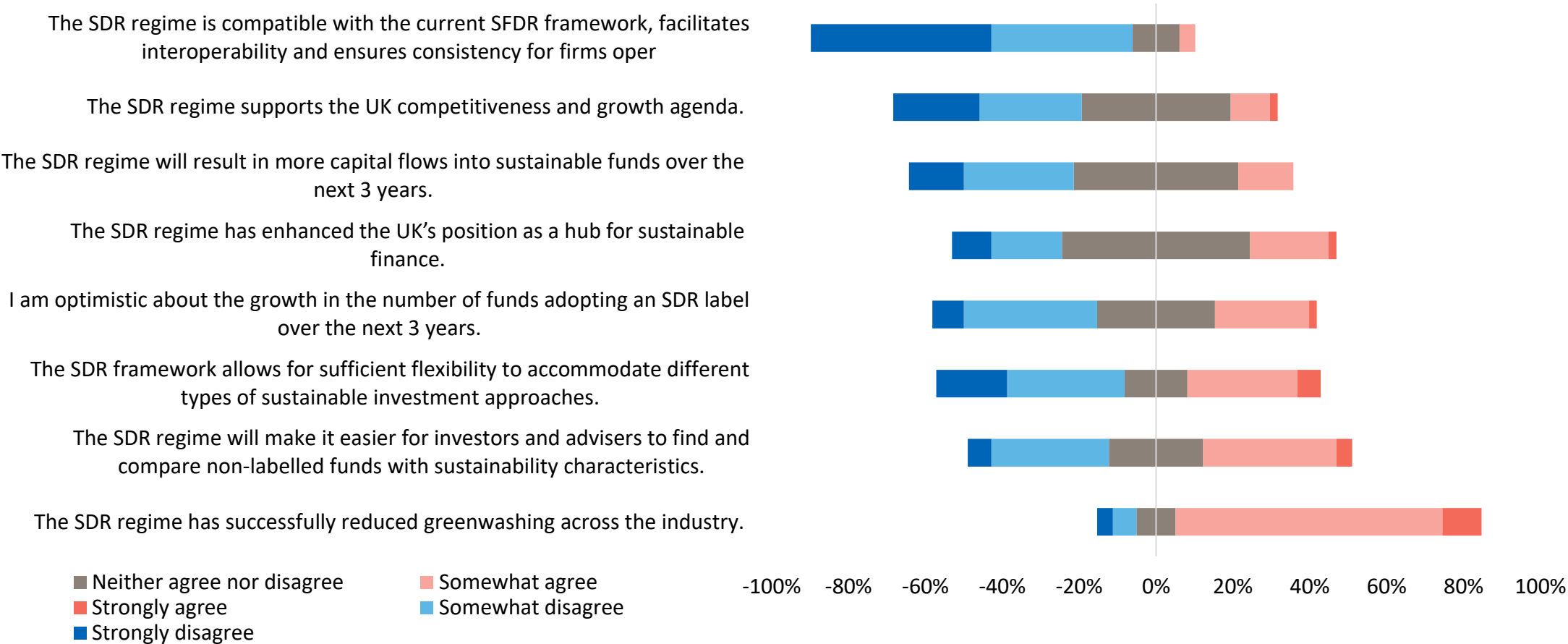
### Testing SDR sentiment

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TESTING SDR SENTIMENT

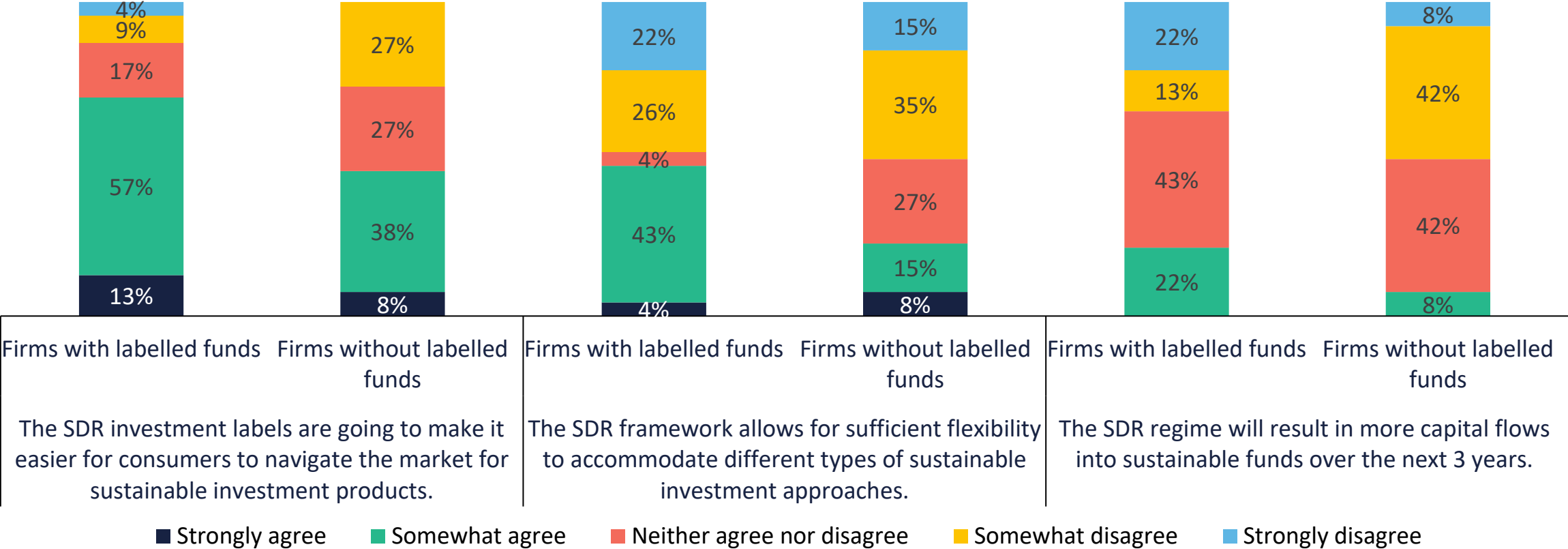
The vast majority of firms believe that SDR has successfully reduced greenwashing across the industry but strongly disagree that the regime is compatible with the current SFDR framework,





TESTING SDR SENTIMENT

Firms that have used an SDR label are more optimistic on the impact of SDR on capital flows and helping consumers navigate the market for sustainable products. They are also more positive on the flexibility of SDR in accommodating different types of sustainable investment approach.





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## SECTION SEVEN

### Lessons learned

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WHAT WORKED WELL

A quarter of firms (24%) believe that industry collaboration through the IA was the part of SDR implementation that worked well. 10% of respondents found implementation very difficult and could not identify any positive aspects.

Top 10 aspects of SDR and the implementation process that worked	% of firms
Industry collaboration- IA SDR implementation forum and working group	24%
Anti-greenwashing rule positive and easy to implement	14%
Improved disclosures- including CFD	12%
Did not require much change to internal frameworks. Able to leverage existing frameworks	10%
Nothing	10%
FCA engagement with industry	7%
Sets a high standard/ is robust	7%
Internal collaboration on implementation worked well	5%
Supportive of non-prescriptive rules-based approach	5%
Naming and marketing rules easy to implement	5%
FCA policy statement was clear	5%

Q: Thinking about your experience of implementing SDR within your firm, which aspects of the regime and implementation process do you think worked well?  
.....

## WHAT WORKED WELL?

*The anti-greenwashing rule precipitated a useful exercise in tightening marketing messaging around sustainability and ensuring that evidence to support sustainability claims is stored in a central space.*

*The IA Implementation forum provided an opportunity to engage with other managers and gain valuable insights regarding SDR implementation.*

*We already had a sustainability framework in place which we didn't have to change in order to comply with the rules. Our existing KPIs and investment policy were well-fit for the impact label.*

*The fact that the FCA appeared to be open to some industry feedback and provide clarification during the implementation period.*

*Once the FCA explained more fully its expectations of firms, the underlying premise for the regime is strong. It is a robust and exacting standard which sets a high benchmark for the global industry.*

*The regime has provided the framework to consider sustainability characteristics across funds which has resulted in a better articulation and disclosure of these approaches. For labelled funds it has clearly lifted the bar on the objectives and disclosures of outcomes for these funds, which in time will improve the overall disclosure of sustainability products. For unlabelled funds with sustainability characteristics the regime has provided a trigger for more disclosure for customers and in time will normalise non-financial information to a retail audience. The SDR on reflection feels an important step in implementing non-financial reporting across broader metrics and an important signal to customers who have sustainability preferences.*

IMPLEMENTATION CHALLENGES

Confusion about the implementation of the SDR rules, inconsistency in application of the rules within the FCA and a lack of timely guidance/examples from the regulator were the most commonly cited challenges among survey respondents.

Top 10 implementation challenges cited by survey respondents	% of firms
Confusion/ uncertainty over implementation of FCA rules	28%
Inconsistency in understanding within FCA	26%
Lack of timely practical FCA guidance/ examples and having to rely on experience of peer group	26%
Limited flexibility of the SDR (including heavy focus on certain themes such as climate-related funds, difficult to apply to mixed asset funds and trackers)	19%
FCA bottlenecks/ feedback and response delays	19%
Very detailed disclosures required	16%
Time going back and forth with the FCA	14%
Implementation costs	14%
Compatibility/ Interoperability with other regimes	12%
Challenges with producing the CFD (including a lack of standardisation and comparability)	12%

Q: What were the top three challenges your firm has faced in terms of SDR implementation and can you identify areas of improvement?  
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Thank you to all members who participated in the survey.

For further enquiries on the results, please contact:

Sarah Shehabi ([sarah.shehabi@theia.org](mailto:sarah.shehabi@theia.org)) and Ilaria Gallina ([ilaria.gallina@theia.org](mailto:ilaria.gallina@theia.org))