

ESG Policy Team
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

By email: cp24-8@fca.org.uk

14 June 2024

Dear ESG Policy Team

Re: BVCA response to CP24/8 Extending the Sustainability Disclosure Requirements (SDR) regime to Portfolio Management

The BVCA is the industry body and public policy advocate for the private equity and venture capital (private capital) industry in the UK. With a membership of over 600 firms, we represent the vast majority of all UK-based private capital firms, as well as their professional advisers and investors. In 2022, £27.5bn was invested by private capital into UK businesses in sectors across the UK economy, ranging from consumer products to emerging technology. There are over 12,000 UK companies backed by private capital which currently employ over 2.2 million people in the UK. Over 55% of the businesses backed are outside of London and 90% of the businesses receiving investment are small and medium-sized enterprises (SMEs).

We have responded only to the consultation questions on which our members have specific views.

Q1. Do you agree with the proposed scope of our regime? If not, what alternative scope would you prefer and why?

Yes. We welcome the proposed scope of the regime, which is proportionate and rightly focussed on UK retail clients.

We agree with the proposal summarised in paragraph 3.5 to not include services where clients are based overseas or where services are provided for an Alternative Investment Fund Manager (AIFM) or on behalf of a fund (i.e. where the portfolio manager acts as a delegate). We note, in particular that delegated portfolio management (or advisory) services provided to AIFMs in respect of funds are not typically considered to be a distinct product and so applying a labelling regime to a delegated mandate would not be additive to the fund's offering to end investors, and would, therefore, effectively be redundant regardless of whether the fund itself is in scope of the FCA's labelling regime.

We support the proposal to include portfolio management offerings in the context of managed account style mandates for UK clients in the scope of the labelling regime, and agree that this should apply both in respect of retail and professional client mandates, which means the investment labels can be used where the firm chooses to do so and meets the qualifying criteria.

We support the proposal to exclude portfolio managers offering services to professional clients from the specific naming and marketing rules, which we think is proportionate, and is consistent with the approach taken for UK AIFMs that offer AIFs to professional investors.

Q2. Do you agree with the proposed implementation timeline? If not, what alternative timeline would you prefer and why?

Yes. We broadly agree with the proposed implementation timeline such that portfolio managers are effectively subject to the same implementation timing under SDR as applies to UK AIFMs/UCITS (other than a delay to the adoption of investment labels which will allow final rules to come into force following the FCA's policy statement in response to CP24/8).

Q3. Do you agree with our approach to labelling portfolios, including the threshold and assessment requirements? If not, what alternatives do you suggest and why?

In our response to CP22/20, we said that the 90% threshold was too high and would make the labels potentially unattainable for most portfolio management firms. We suggested the threshold should mirror the 70% threshold that had been proposed for Sustainable Focus funds. In line with that feedback, we support the CP24/8 proposal that would require at least 70% of the portfolio to be invested in accordance with the sustainability objective for portfolio management offerings and, more broadly, alignment of the labelling criteria as between funds and portfolio management services is appropriate.

Please do not hesitate to get in touch if you have any questions or if you would like to discuss any of the above in more detail (please contact Tom Taylor ttaylor@bvca.co.uk / Nick Chipperfield nchipperfield@bvca.co.uk).

Yours faithfully



Tim Lewis

Chair, BVCA Regulatory Committee