

Case Study: SDR Labelling / AEW



[The Good Economy](#) (TGE) has worked with AEW since 2022 to develop an approach to measuring and managing impact for a place-based, mixed asset real estate strategy – see [previous case study](#).

The [AEW UK Impact Fund](#) (UKIF / the Fund) is an open-ended fund which is seeded with a diversified £100 million portfolio of UK impact assets comprising of specialist supported living, key worker accommodation and care homes as well as community and residential-led town centre regeneration projects that make a positive contribution to wellbeing.

TGE worked with the Fund to develop a consistent, and rigorous approach to assessing the impact potential of individual schemes, considering:

- Who will benefit from the asset, and by how much?
- What is the Fund's specific contribution (what would have happened if they didn't invest)?
- How does this meet the wider needs of the area?

The Fund is now looking for opportunities to turn existing real estate into assets that will make a direct positive difference in the lives of the local community.

SDR Labels

The [Sustainability Disclosure Requirements](#) (SDR) released by the Financial Conduct Authority (FCA) comprises of product labels, naming and marketing rules, requirements for both summary and detailed disclosures, as well as anti-greenwashing measures designed to increase trust and confidence in the impact investment market. The regime is leading a step change in the way that UK asset managers describe and disclose information on the extent to which they are pursuing environmental and social objectives.

SDR comes into effect on 31 July 2024 at which point eligible funds will need to comply with the requirements of one of the four labels if they wish to promote themselves as sustainable or impact funds:

- **Sustainability Focus** products invest in assets that are environmentally and/or socially sustainable
- **Sustainability Improvers** products invest in assets that have the potential to improve environmental and/or social sustainability over time
- **Sustainability Impact** products aim to achieve a pre-defined positive and measurable impact in relation to an environmental and/or social outcome
- **Sustainability Mixed Goals** invest in accordance with a combination of the sustainability objectives for the other labels

SDR Requirements

SDR sets out restrictions governing the use of the term ‘impact’. In order to classify as a Sustainability Impact product and use the FCA’s trademarked logo, products will have to meet a set of specific criteria (in addition to the general criteria required of all in-scope products). These include:

- A **Theory of Change** that demonstrates how investment activities and assets are expected to contribute to positive impact
- Robust methods for **measuring and reporting** on impact performance

The onus is on firms to self-classify and ensure their approach stands up to scrutiny.

Outcome

Thanks to the bespoke impact measurement and management system that TGE designed for the Fund (which aligns with the best practice approaches described by [Impact Frontiers](#), the [traits of Place-Based Impact Investing](#) and the UN Sustainable Development Goals) and the independent annual impact report that TGE produces, AEW is one of the first funds to be ‘Day One’ ready for the new labelling regime.

“Our UK Impact Fund is committed to creating a positive impact for people, place and planet, while helping clients achieve their return objectives. With the support of the Fund’s investors, we have worked closely over the past two years with The Good Economy, Eversheds Sutherland and the FCA to align the Fund with the SDR regime, ensuring that the place-based impact investing strategy we have adopted meets the new stringent criteria. Our thanks to all our partners for their commitment to this project which allowed AEW to be among the first to adopt the new ‘Sustainability Impact’ label.”

Edward Long, Portfolio Manager at AEW