

# Chapter 1

## Purpose and application

## 1.1 Purpose and application

### Purpose

- 1.1.1 **G** The ESG sourcebook sets out *rules* and *guidance* concerning a *firm's* approach to environmental, social and governance matters.
- 1.1.2 **G** ■ ESG 1A and ■ ESG 2 contain *rules* and *guidance* regarding the disclosure of climate-related financial information consistent with *TCFD Recommendations and Recommended Disclosures*.
- 1.1.3 **G** The disclosure requirements within ■ ESG 2 relate to either the assets that a *firm* manages or administers generally, published in a *TCFD entity report*, or assets relating or corresponding to particular financial products or services, disclosed via *TCFD product reports*.
- 1.1.3A **G** ■ ESG 3 applies to all *firms* and sets out the way in which the *rules* and *guidance* in ■ ESG 4 and ■ ESG 5 apply to different types of *firm*. Although most of the *rules* in ■ ESG 4 and ■ ESG 5 apply to *managers*, a number of *rules* apply to *distributors* and some also apply to *firms* more generally.
- 1.1.3B **G** ■ ESG 4 sets out 'anti-greenwashing' *rules* and *guidance* which apply to a *firm*, regardless of whether or not it is undertaking *sustainability in-scope business*, with respect to references the *firm* makes about the *sustainability characteristics* of a product or service.
- 1.1.3C **G** ■ ESG 4 also contains the *rules* and *guidance* which apply to a *manager* that is undertaking *sustainability in-scope business*, restricting the use of a *sustainability label* in relation to a *sustainability product* unless certain criteria are met and setting out naming and marketing conditions in relation to those products. In addition, ■ ESG 4 contains *rules* and *guidance* which apply to *distributors* that *distribute sustainability products* and *recognised schemes*, including *ETFs* that are *recognised schemes*, to *retail clients*.
- 1.1.3D **G** ■ ESG 5 contains the *rules* and *guidance* which apply to a *manager* undertaking *sustainability in-scope business* with respect to the *consumer-facing disclosure*, *pre-contractual disclosure*, *public product-level sustainability report* and (where applicable) *on-demand sustainability information* that the *manager* must produce in relation to a *sustainability product*, together with *rules* and *guidance* requiring a *manager* to produce an entity-level report.

- 1.1.4 **G** The TCFD-related disclosures are intended to help meet the information needs of market participants, including a *firm's* institutional *clients* (e.g. pension trustees, employers and corporate investors) and *consumers* of their products (e.g. pension scheme members and retail investors), in relation to the climate-related impact and risks of a *firm's TCFD in-scope business*.
- 1.1.4A **G** The sustainability-related *rules* and *guidance* in ■ ESG 4 and ■ ESG 5 are also intended to help meet the information needs of market participants, including a *firm's retail clients* and institutional *clients* in relation to the *sustainability characteristics* of a *sustainability product* and the sustainability-related risks and opportunities in relation to a *manager's sustainability in-scope business*.
- 1.1.5 **G** The *FCA* recognises that at least for a transitional period there may be data and methodological challenges. Nevertheless, we expect *firms* to provide sufficient information to *clients* and *consumers*. *Firms* should still disclose metrics and quantitative scenario analysis or examples in accordance with the *rules* in this sourcebook where such disclosure would remain fair, clear and not misleading. *Firms* should also appropriately explain any limitations on their ability to disclose and the steps being taken to address those limitations.

## 1.2 General application

1.2.1 **R** [deleted]

1.2.2 **R** [deleted]

1.2.3 **G** The specific application of the *rules* and *guidance* in **ESG 2**, **ESG 4** and **ESG 5** is set out in **ESG 1A** and **ESG 3**.

1.2.4 **G** (1) The table at **ESG 1.2.4G(2)** provides a general overview as to how the *rules* in **ESG 2**, **ESG 4** and **ESG 5** apply to *firms*.

(2) This table belongs to **ESG 1.2.4G(1)**.

Type of firm	Applicable provisions
All <i>firms</i>	ESG 4.1.1R(1); ESG 4.3.1R
<i>Distributors</i>	ESG 4.1.1R(1); ESG 4.1.16R to ESG 4.1.19R; ESG 4.3.1R.
Asset managers	
A <i>firm</i> managing a <i>UK UCITS</i> or an <i>AIF</i> , excluding:	ESG 2 (except for ESG 2.3.5R to ESG 2.3.8R relating to <i>on-demand TCFD information</i> );
(a) a <i>firm</i> managing a <i>feeder fund</i> ; or	
(b) a <i>full-scope UK AIFM</i> or a <i>small authorised UK AIFM</i> managing an <i>unauthorised AIF</i> not listed on a <i>recognised investment exchange</i> ;	ESG 4 (except for ESG 4.1.16R to ESG 4.1.19R relating to <i>distributors</i> ) only in relation to <i>UK UCITS</i> and <i>UK AIFs</i> ; ESG 5 (except for ESG 5.5.13R to ESG 5.5.15R relating to <i>on demand sustainability information</i> ) only in relation to <i>UK UCITS</i> and <i>UK AIFs</i> .
A <i>firm</i> managing a <i>feeder fund</i>	ESG 4.1.2R to ESG 4.1.8R, ESG 4.1.13R and ESG 4.1.14R; ESG 4.3.1R to ESG 4.3.8R;

Type of firm	Applicable provisions
<p>A firm that is a full-scope UK AIFM or a small authorised UK AIFM managing an unauthorised AIF not listed on a recognised investment exchange</p>	<p>ESG 5.6</p> <p>ESG 2 (except for ESG 2.3.1R to ESG 2.3.4R relating to a public TCFD product report);</p> <p>ESG 4 (except for ESG 4.1.16R to ESG 4.1.19R relating to distributors) only in relation to UK AIFs;</p> <p>ESG 5 (except in relation to the preparation of Part B of a public product-level sustainability report) only in relation to UK AIFs.</p>
<p>Asset owners</p> <p>A firm in table ESG 1A.1.1R(2), Part B</p>	<p>ESG 2 (except for ESG 2.3.5R to ESG 2.3.8R relating to on-demand TCFD information);</p> <p>ESG 4.1.1R(1);</p> <p>ESG 4.3.1R.</p>

