

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.