

Chapter 4

Sustainability labelling, naming and marketing

4.1 Sustainability labels

- 4.1.1** **R** (1) Subject to ■ ESG 4.1.1R(2), a *firm* must not make use of the following *sustainability labels*:
- (i) 'Sustainability focus';
 - (i) 'Sustainability improvers';
 - (i) 'Sustainability impact'; or
 - (i) 'Sustainability mixed goals'.
- (2) A *manager* may, from 31 July 2024, make use of a *sustainability label* in ■ ESG 4.1.1R(1) where the *manager* is undertaking *sustainability in-scope business* in relation to a *sustainability product*:
- (a) that is not a *feeder fund* if it satisfies the requirements set out in ■ ESG 4.2; or
 - (b) that is a *feeder fund* if it satisfies the requirements in ■ ESG 4.1.2R.
- 4.1.2** **R** Where a *manager* is undertaking *sustainability in-scope business* in relation to a *sustainability product* that is a *feeder fund*, it may use a *sustainability label* in relation to that product where:
- (1) the *feeder fund* uses the same label as that used by the relevant *master fund* which is a *sustainability product*;
 - (2) the *manager* ensures that its use of the label is kept updated in accordance with any changes that the relevant *master fund* makes; and
 - (3) the *manager* ensures that it provides *clients* with easy access (for example, by providing hyperlinks) to the *consumer-facing disclosure*, *pre-contractual disclosure* (or Part A of a *public product-level sustainability report* in circumstances where the *sustainability product* does not have *pre-contractual materials* that relate to it) and Part B of a *public product-level sustainability report* that has been produced by the relevant *master fund*.
- 4.1.3** **R** As far as reasonably practicable, a *manager* must, where it makes use of a *sustainability label*, use the relevant graphic prescribed by the FCA:
- (1) when displaying that label in relation to a *sustainability product* on the *relevant digital medium* for the business of the *manager*; and

(2) when disclosing the use of that label in a *consumer-facing disclosure*, a *pre-contractual disclosure* and Part B of a *public product-level sustainability report*.

4.1.4

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For the purposes of ■ ESG 4.1.3R, the relevant graphic can be accessed through the *FCA’s online notification and application system*.

4.1.5

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A *manager* that uses a *sustainability label* must not:

- (1) use a *sustainability label* in a way that is misleading;
- (2) claim in a public statement or to a *client*, either expressly or by implication, that:
 - (a) the *FCA* has conferred or approved the use of a *sustainability label* in relation to a particular *sustainability product*; or
 - (b) the *manager’s* use of a *sustainability label* indicates that a *sustainability product* has been approved or endorsed by the *FCA*; or
- (3) publish information in relation to the use of, or descriptors pertaining to, a *sustainability label* which contradicts the information that has been published by the *FCA*.

Record keeping

4.1.6

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A *manager* that uses a *sustainability label* must:

- (1) prepare and retain a record as to the basis on which the label has been used; and
- (2) keep that record updated for the duration of the label’s use (including where the use of the label changes, as set out under ■ ESG 4.1.11R and ■ ESG 4.1.14R).

Notifying the FCA

4.1.7

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A *manager* that intends to use a *sustainability label* in relation to a particular *sustainability product*, or to revise or cease the use of that label, must notify the *FCA* that it is doing so using the *FCA’s online notification and application system*, either before using, revising or ceasing the use of that label or as soon as reasonably practicable afterwards.

Publication of sustainability labels

4.1.8

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- (1) Where a *manager* uses a *sustainability label* in relation to a *sustainability product* and makes information about that product publicly available, it must publish on the *relevant digital medium* for the business of the *manager*:
 - (a) the label that has been applied to the relevant *sustainability product*; and
 - (b) details as to where the *consumer-facing disclosure* pertaining to that product can be easily accessed.

(2) A *manager* must locate the information at ■ ESG 4.1.8R(1) in a prominent place on the specific webpage or page on a mobile application or other digital medium at which the *sustainability product* is offered.

4.1.9 **G** In addition to the information required under ■ ESG 4.1.8R, a manager may choose to provide further information in relation to the *sustainability label* by including a hyperlink to the relevant webpage of the *FCA's* website on the *relevant digital medium* for the business of the *manager*. The hyperlink should be located at a prominent place on the specific webpage or page on a mobile application or other digital medium at which the *sustainability product* is offered.

4.1.10 **G** For the purposes of the *rules* and *guidance* in ■ ESG 4 and ■ ESG 5, a 'prominent place' should take account of the content, size and orientation of the information pertaining to the *sustainability product* (or, in the case of ■ ESG 4.1.19R, a *recognised scheme*, including an *ETF* that is a *recognised scheme*) on the relevant webpage or page of the mobile application or other digital medium as a whole.

Reviewing sustainability labels

4.1.11 **R** A *manager* that uses a *sustainability label* in relation to a *sustainability product* that is not a *feeder fund* must, in addition to the general ongoing requirements under ■ ESG 4.2.20R, keep the use of that label under review by taking appropriate steps as follows:

(1) A *manager* must review its use of a *sustainability label* prior to any proposed change to a *sustainability product* and if, as a result of those changes, the product will cease to meet the criteria for using that label under ■ ESG 4.2, revise or cease the use of the label as appropriate as soon as reasonably practicable;

(2) Notwithstanding ■ ESG 4.1.11R(1), a *manager* must:

(a) review its use of a *sustainability label* at least every 12 months to determine whether the use of the label continues to be appropriate, including in circumstances where the *manager* has taken steps under ■ ESG 4.2.22R; and

(b) where the *manager* determines that the continued use of the label is not appropriate, revise or cease the use of the label as appropriate as soon as reasonably practicable.

4.1.12 **R** A *manager* must prepare and retain a record of the fact that it has undertaken a review under ■ ESG 4.1.11R and the decision it has reached as a result of that review regarding whether the *sustainability label* it has used remains appropriate.

Notifying clients

4.1.13 **R** A *manager* must, where it is required to either revise the *sustainability label* that it uses or cease to use that label under ■ ESG 4.1.11R:

- (1) give written notice to its *clients* who have invested in that product that the *sustainability label* has been revised or ceased and the reasons for that revision or cessation as soon as reasonably practicable;
- (2) publish the revised *sustainability label* (or the fact that the *manager* has ceased to use a label) and the reasons for the revision or cessation on the *relevant digital medium* for the business of the *manager* in a prominent place on the specific webpage or page on a mobile application or other digital medium at which the *sustainability product* is offered, as soon as reasonably practicable before that change takes effect; and
- (3) ensure that a *consumer-facing disclosure, pre-contractual disclosure* and reports prepared by the *manager* under ■ ESG 5.4 and ■ ESG 5.5 are updated as soon as reasonably practicable, in accordance with the requirements under ■ ESG 5.1.3R where relevant.

4.1.14 **R** If, in circumstances other than those set out in ■ ESG 4.1.11R, a *manager* is no longer able to meet the general or specific criteria for using a *sustainability label* and must revise or cease the use of the label, it must take the steps under ■ ESG 4.1.13R.

4.1.15 **G** For the purposes of ■ ESG 4.1.13R(1), *authorised fund managers* are reminded of their obligations under, as relevant, ■ COLL 4.3, ■ COLL 8.3 or ■ COLL 15.5, as a change in the use of a *sustainability label* is likely to require pre-event *unitholder* notification.

Distributors

4.1.16 **R** Where a *distributor* distributes to *retail clients* a *sustainability product* which uses a *sustainability label*, the *distributor* must:

- (1) communicate to those *retail clients* the same label that the *manager* undertaking *sustainability in-scope business* is using in relation to that product by either:
 - (a) displaying the label on the *relevant digital medium* for the business of the *distributor* in a prominent place on the specific webpage or page on a mobile application or other digital medium at which the *sustainability product* is offered; or
 - (b) where the *distributor* does not use a *relevant digital medium*, using the same channel(s) that the *distributor* would ordinarily use to communicate information; and
- (2) ensure that *retail clients* are provided with access to a *consumer-facing disclosure* which relates to that product.

4.1.17 **R** Where a *manager* does not use a *sustainability label* but uses one or more of the terms listed in ■ ESG 4.3.2R(2) in accordance with ■ ESG 4.3.2R(1) in the name or a *financial promotion* relating to a *sustainability product*, a *distributor* of that product must ensure that *retail clients* are provided with access to the *consumer-facing disclosure* which relates to that product.

- 4.1.18** **R** A distributor that distributes a sustainability product to retail clients must ensure that its relevant digital medium, or any other channel(s) that the distributor would ordinarily use to communicate information, and any financial promotion relating to that product are kept updated in accordance with any changes that are made to the relevant sustainability label or to the consumer-facing disclosure which relates to that product.
- 4.1.19** **R** A distributor that distributes recognised schemes, including ETFs that are recognised schemes, to retail clients must:
- (1) where the terms set out in **ESG 4.3.2R(2)** are used in either the name of a recognised scheme or a financial promotion relating to that scheme, prepare a notice which includes the following text: 'This product is based overseas and is not subject to UK sustainable investment labelling and disclosure requirements'; and
 - (2) in relation to the relevant digital medium for the business of the distributor:
 - (a) display the notice at **ESG 4.1.19R(1)** in a prominent place on the specific webpage or page on a mobile application or other digital medium at which the recognised scheme is offered; or
 - (b) include a hyperlink to the relevant webpage of the FCA website which sets out for retail clients further information in relation to the sustainability labelling and disclosure requirements under **ESG 4** and **ESG 5**; and
 - (3) where relevant, in relation to any other channel(s) that the distributor would ordinarily use to communicate information, notify retail clients using that means of communication.