

Chapter 5

Disclosure of sustainability-related information

5.3 Pre-contractual disclosures

5.3.1

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A *manager* that is required to prepare and publish a *pre-contractual disclosure* under ■ ESG 5.1.1R must do so in a clear and accessible way and include that disclosure in either:

- (1) the *pre-contractual materials* for the particular *sustainability product*; or
- (2) where that product does not have *pre-contractual materials*, Part A of the *public-product-level sustainability report* relating to that product, as set out under ■ ESG 5.5.1R to ■ ESG 5.5.4R.

5.3.2

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- (1) A *manager* must, where it uses a *sustainability label* in relation to a *sustainability product*, include in the *pre-contractual disclosure* for that product the information in ■ ESG 5.3.3R and ■ ESG 5.3.6R.
- (2) A *manager* must, where it does not use a *sustainability label* in relation to a *sustainability product*, but uses one or more of the terms in ■ ESG 4.3.2R(2) in accordance with ■ ESG 4.3.2R(1), include in the *pre-contractual disclosure* for that product:
 - (a) the information at ■ ESG 5.3.3R(3)(a) and ■ ESG 5.3.3R(6); and
 - (b) the information set out under ■ ESG 4.3.5R(3)(a) to (c).

5.3.3

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For the purposes of ■ ESG 5.3.2R, a *manager* must include the following information in the *pre-contractual disclosure* which relates to a *sustainability product*:

- (1) the *sustainability label* that the *manager* is using in relation to the *sustainability product*;
- (2) the *sustainability product's sustainability objective*, as part of its *investment objectives*, including details as to:
 - (a) any material effect (including expected effect), on the financial risk and return of the product as a result of the investment strategy the *manager* has adopted to pursue the product's *sustainability objective*;
 - (b) the link between the *sustainability product's sustainability objective* and a positive environmental and/or social outcome; and

- (c) any material negative environmental and/or social outcomes that may arise when pursuing the product's *sustainability objective*, as identified under ■ ESG 4.2.9R(1);
- (3) details of the *manager's* investment policy and strategy – in particular:
 - (a) how the *manager* determines the assets the product invests in, including the criteria it applies in determining the *sustainability characteristics* of those assets;
 - (b) the standard which the *manager* relies upon under ■ ESG 4.2.4R(2)(b) including:
 - (i) the basis on which that standard is considered to be appropriate for the purposes of determining the assets the product invests in (in accordance with its *sustainability objective*); and
 - (ii) the name of either the specific function within the *manager's* business or the third party that carried out the assessment; and
 - (c) the proportion of assets (which may be expressed as an approximate figure or range) that are invested in accordance with the *sustainability product's sustainability objective*, as well as the types of assets that are not invested in accordance with that objective, and the reason(s) for that;
- (4) where the *sustainability product* is an index-tracking product, how the index provider's methodology for index-construction aligns with the product's *sustainability objective*;
- (5) details of the *manager's* policies and procedures to monitor the performance of the *sustainability product* in achieving its *sustainability objective*;
- (6) details of the KPIs that the *manager* will use under ■ ESG 4.2.4R(3) and/or other metrics a *retail client* may reasonably find useful in understanding the *manager's* investment policy and strategy for the product;
- (7) details of the *manager's* investor stewardship strategy and resources in relation to supporting the achievement of the product's *sustainability objective*, including:
 - (a) where relevant, whether the *manager* is a signatory of the UK Stewardship Code 2020, published by the Financial Reporting Council; and
 - (b) how the *manager* will apply its strategy and resources in a manner consistent with achieving the *sustainability product's sustainability objective*; and
- (8) details of the actions the *manager* will take in accordance with the requirements of ■ ESG 4.2.9R(6).

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In relation to ■ ESG 5.3.2R(2)(a), a *manager* may choose to disclose any further information in ■ ESG 5.3.3R that it considers appropriate to include in a *pre-contractual disclosure*.

5.3.5

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In relation to ■ ESG 5.3.3R(3)(a), a *manager* may consider disclosing the following information:

- (1) the proportion of the product's assets that have *sustainability characteristics*;
- (2) any screening criteria (either positive or negative) that apply; and
- (3) the application of any index it uses.

5.3.6

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In addition to the information set out in ■ ESG 5.3.3R, a *manager* must also include the following information in the *pre-contractual disclosure* for a *sustainability product*:

- (1) where the *manager* uses the *sustainability label* 'sustainability improvers', it must include the following information:
 - (a) the timescale identified in ■ ESG 4.2.15R(1) and the short and medium-term targets identified in ■ ESG 4.2.15R(2); and
 - (b) a summary of the types of evidence the *manager* has relied upon to satisfy itself that the assets in which the product invests have the potential to meet the robust, evidence-based standard set out under ■ ESG 4.2.4R(2)(b);
- (2) where the *manager* uses the *sustainability label* 'sustainability impact', it must include the following information:
 - (a) the *manager's theory of change*, with clear examples that emphasise how the *manager* expects its investment activities and the product's assets to contribute to achieving a positive environmental and/or social impact; and
 - (b) a summary of the method used to measure and demonstrate that the *manager's investment* activities and the *sustainability product's* assets are achieving a positive environmental and/or social impact; and
- (3) where the *manager* uses the *sustainability label* 'sustainability mixed goals', it must include the following information:
 - (a) details as to the proportion of the *sustainability product's* assets which are invested in accordance with each of the *sustainability objectives* referred to in ■ ESG 4.2.18R; and
 - (b) in relation to the proportion invested in accordance with
 - (i) the requirements for using the *sustainability label* 'sustainability improvers' under ■ ESG 4.2.15R, the information set out under ■ ESG 5.3.6R(1); and
 - (ii) the requirements for using the *sustainability label* 'sustainability impact' under ■ ESG 4.2.17R, the information set out under ■ ESG 5.3.6(2)R.

5.3.7

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A *manager* must, in order to meet the requirements of ■ ESG 5.3.3R and ■ ESG 5.3.6R, set out the required information so that it is clearly identifiable in the *pre-contractual materials* relating to the particular *sustainability product* (unless that information is otherwise being included in Part A of the

- relevant *public product-level sustainability report* for that *sustainability product* in accordance with ■ ESG 5.5.1R to ■ ESG 5.5.4R).
- 5.3.8 G In meeting the requirements of ■ ESG 5.3.7R, a *manager* may, for example, choose to include the required information in a dedicated section of the *pre-contractual materials*.
- 5.3.9 R A *manager* must ensure that the information at either ■ ESG 5.3.2R(2)(b) or ■ ESG 5.3.3R(1) (as applicable), together with the information at ■ ESG 5.3.3R(2), is located in a prominent place in the *pre-contractual disclosure* for the *sustainability product*.