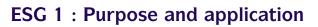
Environmental, Social and Governance sourcebook

Chapter 1

Purpose and application

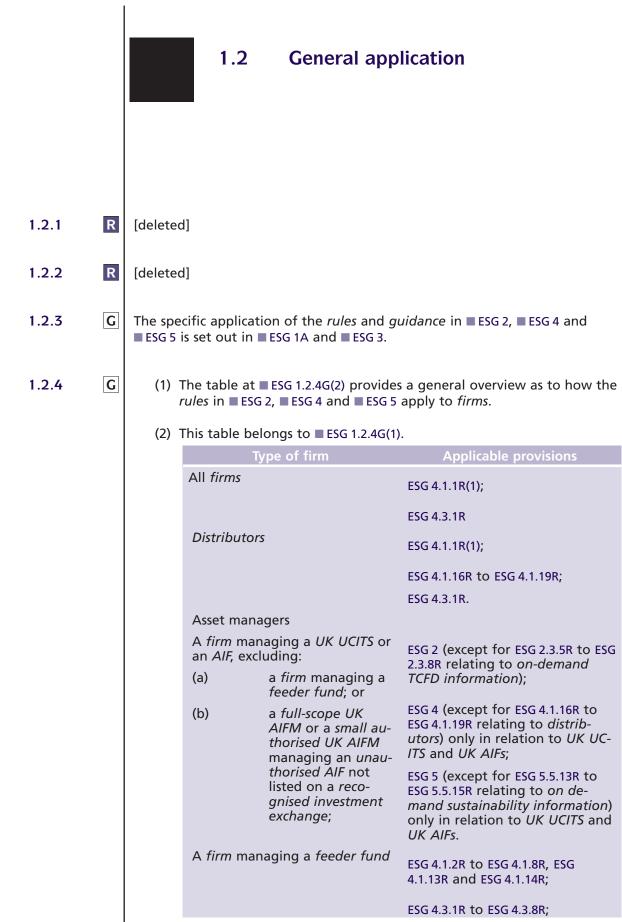


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		1.1 Purpose and application
1.1	.1 G	Purpose The ESG sourcebook sets out <i>rules</i> and <i>guidance</i> concerning a <i>firm's</i> approach to environmental, social and governance matters.
1.1	.2 G	■ ESG 1A and ■ ESG 2 contain <i>rules</i> and <i>guidance</i> regarding the disclosure of climate-related financial information consistent with <i>TCFD</i> Recommendations and Recommended Disclosures.
1.1	.3 G	The disclosure requirements within ESG 2 relate to either the assets that a <i>firm</i> manages or administers generally, published in a <i>TCFD entity report</i> , or assets relating or corresponding to particular financial products or services, disclosed via <i>TCFD product reports</i> .
1.1	.3A G	■ ESG 3 applies to all <i>firms</i> and sets out the way in which the <i>rules</i> and <i>guidance</i> in ■ ESG 4 and ■ ESG 5 apply to different types of <i>firm</i> . Although most of the <i>rules</i> in ■ ESG 4 and ■ ESG 5 apply to <i>managers</i> , a number of <i>rules</i> apply to <i>distributors</i> and some also apply to <i>firms</i> more generally.
1.1	.3B G	■ ESG 4 sets out 'anti-greenwashing' <i>rules</i> and <i>guidance</i> which apply to a <i>firm</i> , regardless of whether or not it is undertaking <i>sustainability in-scope business</i> , with respect to references the <i>firm</i> makes about the <i>sustainability characteristics</i> of a product or service.
1.1	.3C G	■ ESG 4 also contains the <i>rules</i> and <i>guidance</i> which apply to a <i>manager</i> that is undertaking <i>sustainability in-scope business</i> , restricting the use of a <i>sustainability label</i> in relation to a <i>sustainability product</i> unless certain criteria are met and setting out naming and marketing conditions in relation to those products. In addition, ■ ESG 4 contains <i>rules</i> and <i>guidance</i> which apply to <i>distributors</i> that <i>distribute sustainability products</i> and <i>recognised</i> <i>schemes</i> , including <i>ETFs</i> that are <i>recognised schemes</i> , to <i>retail clients</i> .
1.1	.3D G	■ ESG 5 contains the <i>rules</i> and <i>guidance</i> which apply to a <i>manager</i> undertaking <i>sustainability in-scope business</i> with respect to the <i>consumer-facing disclosure</i> , <i>pre-contractual disclosure</i> , <i>public product-level sustainability report</i> and (where applicable) <i>on-demand sustainability information</i> that the <i>manager</i> must produce in relation to a <i>sustainability product</i> , together with <i>rules</i> and <i>guidance</i> requiring a <i>manager</i> to produce an entity-level report.

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- **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 inscope 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.



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ESG 1 : Purpose and application

AIFM or a small authorised UK AIFM managing an unau- thorised AIF not listed on a re- cognised investment exchangeESG 2 (except for ESG 2.3.1R to ESG 2.3.4R relating to a public TCFD product report);ESG 4 (except for ESG 4.1.16R to ESG 4.1.19R relating to distrib- utors) only in relation to UK AIFs;ESG 5 (except in relation to the preparation of Part B of a public product-level sustainability re- port) only in relation to UK AIFs.A firm in table ESG 1A.1.1R(2),ESG 2 (except for ESG 2.3.5R to ESG	A firm that is a full-scope UK AIFM or a small authorised UK AIFM managing an unau- thorised AIF not listed on a re- cognised investment exchangeESG 2 (except for ESG 2.3.1R to ESG 2.3.4R relating to a public TCFD product report);ESG 4 (except for ESG 4.1.16R to ESG 4.1.19R relating to distrib- utors) only in relation to UK AIFs;ESG 5 (except in relation to UK AIFs;Asset ownersA firm in table ESG 1A.1.1R(2), Part BESG 2 (except for ESG 2.3.5R to ESG 2.3.8R relating to on-demand TCFD information);ESG 4.1.1R(1);ESG 4.1.1R(1);	A firm that is a full-scope UK AIFM or a small authorised UK AIFM managing an unau- thorised AIF not listed on a re- cognised investment exchangeESG 2 (except for ESG 2.3.1R to ESG 2.3.4R relating to a public TCFD product report);ESG 4 (except for ESG 4.1.16R to ESG 4.1.19R relating to distrib- utors) only in relation to UK AIFs;ESG 5 (except in relation to UK AIFs;Asset ownersA firm in table ESG 1A.1.1R(2), Part BESG 2 (except for ESG 2.3.5R to ESG 2.3.8R relating to on-demand TCFD information);ESG 4.1.1R(1);ESG 4.1.1R(1);	A firm that is a full-scope UK AIFM or a small authorised UK AIFM managing an unau- thorised AIF not listed on a re- cognised investment exchangeESG 2 (except for ESG 2.3.1R to ESG 2.3.4R relating to a public TCFD product report);ESG 4 (except for ESG 4.1.16R to ESG 4.1.19R relating to distrib- utors) only in relation to UK AIFs;ESG 5 (except in relation to UK AIFs;Asset ownersA firm in table ESG 1A.1.1R(2), Part BESG 2 (except for ESG 2.3.5R to ESG 2.3.8R relating to on-demand TCFD information);ESG 4.1.1R(1);ESG 4.1.1R(1);
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