

Chapter 1

Purpose and application

1.1 Purpose and application

Purpose

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The ESG sourcebook sets out *rules* and *guidance* concerning a *firm's* approach to environmental, social and governance matters.
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■ ESG 1A and ■ ESG 2 contain *rules* and *guidance* regarding the disclosure of climate-related financial information consistent with *TCFD Recommendations and Recommended Disclosures*.
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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*.
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■ 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.
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■ 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.
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■ 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

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■ 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

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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.
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(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
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>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>
Asset owners	
A firm in table ESG 1A.1.1R(2), Part B	<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>

