

Chapter 5

Disclosure of sustainability- related information

5.4 Preparation of sustainability reports

5.4.1

R

- (1) A *manager* must prepare the reports in ■ ESG 5.4.1R(2) in accordance with this chapter where it:
- (a) is undertaking *sustainability in-scope business* in relation to a *sustainability product* that is not a *feeder fund*; and
 - (b) uses either a *sustainability label* or one or more of the terms in ■ ESG 4.3.2R(2) in accordance with ■ ESG 4.3.2R(1) in relation to that product.
- (2) The reports are:
- (a) Part A of a *public product-level sustainability report*, in circumstances where a *sustainability product* does not have *pre-contractual materials* that relate to it; and
 - (b) Part B of a *public product-level sustainability report* in accordance with ■ ESG 5.5.5R to ■ ESG 5.5.12R.

5.4.2

R

A *manager* that is undertaking *sustainability in-scope business* in relation to a *sustainability product* must, subject to ■ ESG 3.1.3R, prepare a *sustainability entity report*, regardless of whether it uses a *sustainability label* or one or more of the terms in ■ ESG 4.3.2R(2) in accordance with ■ ESG 4.3.2R(1) in relation to that product.

5.4.3

R

A *manager* must meet the following requirements in relation to the timing and publication of Part B of a *public product-level sustainability report* and a *sustainability entity report*:

- (1) A *manager* must produce and publish Part B of a *public product-level sustainability report* annually, covering a reporting period of 12 *months*, and must publish the first report within 12 *months* after the *manager* first starts to use a *sustainability label* or uses one or more of the terms listed in ■ ESG 4.3.2R(2) in accordance with ■ ESG 4.3.2R(1) in relation to a *sustainability product*.
- (2) A *manager* must produce and publish a *sustainability entity report* annually, covering a reporting period of 12 *months* and, in relation to the first report:
 - (a) where a *manager* meets the requirements of an *enhanced SMCR firm* pursuant to ■ SYSC 23 Annex 1 8.2R paragraph 1 in relation to *sustainability in-scope business*, the first report must be produced and published by 2 December 2025; and

(b) where a *manager* does not meet the requirements of an *enhanced SMCR firm* pursuant to ■ SYSC 23 Annex 1 8.2R paragraph 1 but has assets under management in relation to *sustainability in-scope business* of £5bn or more calculated as a 3-year rolling average on annual assessment, the first report must be produced and published by 2 December 2026.

(3) A *manager* may change the reporting dates in ■ ESG 5.4.3R(1) and ■ ESG 5.4.3R(2) for subsequent reports following the first report, but the *manager* must ensure that there is no period of time which is not covered by Part B of a *public product-level sustainability report* or a *sustainability entity report* and must issue an interim report if necessary.

(4) A *manager* must take reasonable steps to publish Part B of a *public product-level sustainability report* and a *sustainability entity report* in a way that makes it easy for *clients* to locate and access, including, at a minimum, by making the most recent edition of those reports available in a prominent place on the main website for the business of the *manager*.

5.4.4 **R** A *manager* must, where it is required to prepare a *public TCFD product report*, include the contents of that report (or a hyperlink to it) in Part B of a *public product-level sustainability report*, making clear that the *public TCFD product report* forms part of the *manager's* overall Part B of a *public product-level sustainability report* with respect to climate-related disclosures.

5.4.5 **R** A *manager* must, where it is required to prepare a *TCFD entity report*, include the contents of that report (or a hyperlink to it) in its *sustainability entity report*, making clear that the *TCFD entity report* forms part of the *manager's* overall *sustainability entity report* with respect to climate-related disclosures.

Data considerations when preparing sustainability reports

5.4.6 **R** A *manager* must comply with ■ ESG 5.4.7R to ■ ESG 5.4.10R in relation to preparing Part B of a *public product-level sustainability report* or a *sustainability entity report*.

5.4.7 **R** In satisfying its reporting and disclosure obligations under ■ ESG 5.4 and ■ ESG 5.5, a *manager* must, insofar as is reasonably practicable, use the most up to date information available.

5.4.8 **R** In preparing Part B of a *public product-level sustainability report*, a *manager* must select, from within the 12-month reporting period, the most recent calculation date for which up-to-date information is available.

5.4.9 **R** A *manager* must not disclose metrics where:

(1) there are gaps in underlying data or methodological challenges; and

(2) these data gaps or methodological challenges cannot be addressed using proxy data or assumptions without the resulting disclosure, in the reasonable opinion of the *manager*, being misleading.

5.4.10 **R** A *manager* must ensure that Part B of a *public product-level sustainability report* and a *sustainability entity report* include an adequate explanation of:

- (1) any gaps in the underlying data relied upon to make sustainability-related disclosures;
- (2) how the *manager* has addressed these gaps, for example, by using proxy data or assumptions and briefly setting out any methodologies used in doing so, providing relevant contextual information and explaining any limitations of the approach;
- (3) any metrics that the *manager* has not been able to disclose, on the basis that **■ ESG 5.4.9R** applies; and
- (4) in respect of **■ ESG 5.4.10R(3)**:
 - (a) the gaps in underlying data or methodological challenges that have resulted in the *manager* being unable to make the relevant disclosure;
 - (b) why the *manager* has not been able to address those gaps or challenges using proxy data or assumptions; and
 - (c) what steps the *manager* will take to address those gaps or challenges in the future.

5.4.11 **G** In addition, a *manager* may include in Part B of a *public product-level sustainability report* or its *sustainability entity report* an explanation of the proportion of assets in which each *sustainability product* invests for which data are verified, reported, estimated or unavailable.

Cross-referencing third-party sustainability-related disclosures

5.4.12 **R** **■ ESG 5.4.13R** to **■ ESG 5.4.15R** apply to a *manager* in relation to preparing Part B of a *public product-level sustainability report* or a *sustainability entity report*.

5.4.13 **R** A *manager* may include hyperlinks and cross-references to relevant sustainability-related disclosures contained in a third party's sustainability reporting where such information enables the *manager* to prepare Part B of a *public product-level sustainability report* or a *sustainability entity report*.

5.4.14 **R** The *manager* must set out the rationale for relying on any third-party sustainability disclosures, and any deviations between the third party's approach and that of the *manager*.

5.4.15 **R** Where relevant, a *manager* may also draw links and refer to Part B of its *public product-level sustainability report* from its *sustainability entity report* and vice versa.