

Chapter 5

Disclosure of sustainability-related information

5.6 Sustainability entity report

Content of a sustainability entity report

5.6.1

R

In addition to the requirements at ■ ESG 5.4.5R, a *manager* must, in relation to the overall assets it manages within its *sustainability in-scope business*:

- (1) set out the following information relating to:
 - (a) the *manager's* approach to governance, with respect to managing sustainability risks and opportunities;
 - (b) the actual and potential impacts of any material sustainability-related risks and opportunities on the *manager's* businesses, strategy and financial planning;
 - (c) how the *manager* identifies, assesses and manages sustainability-related risks; and
 - (d) the metrics and targets used by the *manager* to assess and manage relevant material sustainability-related risks;
- (2) explain, either in its *sustainability entity report* or in a cross-referenced *public product-level sustainability report*, where its approach to a particular *investment* strategy, asset class or product is materially different to its overall entity-level approach to governance, strategy, risk management or targets and metrics; and
- (3) where relevant, briefly explain in its *sustainability entity report* how the *manager's* strategy has influenced the decision-making and process by which it delegates functions, selects delegates, and relies on services, strategies or products offered or employed by third parties, including delegates.

5.6.2

G

The *FCA* considers the following documents relevant in relation to a *manager* determining the content of disclosures under ■ ESG 5.6.1R(1):

- (1) the *IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information* with respect to the *manager's* disclosures on sustainability-related risks and opportunities;
- (2) the Sustainability Accounting Standards Board standards with respect to relevant sector-specific matters; and
- (3) the *Global Reporting Initiative Standards* with respect to disclosing the impacts of the manager on the environment and/or society.

5.6.3 **G** A *manager* should, in meeting the requirements of **■ ESG 5.6.1R(1)**:

- (1) consider disclosing sustainability-related topics that it has prioritised in its governance, strategy and risk management, and the rationale for doing so;
- (2) consider disclosing the impact of the *manager* on the environment and/or society, having regard to the *Global Reporting Initiative Standards*; and
- (3) refer to part 4, section D of the *TCFD Annex*, entitled ‘Asset managers’ in determining how to make disclosures required under **■ ESG 5.6.1R(1)** with respect to assets managed on behalf of *clients*.

5.6.4 **R** Where a *manager* 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 a *sustainability product*, it must, to the extent relevant to the particular product, include the following information in a clear and accessible way in a *sustainability entity report*:

- (1) a description of the resources, governance and organisational arrangements the *manager* has in place, commensurate with the achievement of the product’s *sustainability objective* and/or the *manager’s* investment policy and strategy for the product; and
- (2) a description of the processes in place to ensure that there is a high standard of diligence in the selection of any data or other information used (including when third-party ESG data or ratings providers are used) to inform investment decisions for the *sustainability product*.

Approach to relevant sustainability-related disclosures contained in other reports at an entity-level

5.6.5 **R**

- (1) If a *manager* is a member of a *group*, it may rely on disclosures consistent with those of the *group* or a member of its *group* when producing its *sustainability entity report*, but only to the extent that those *group* disclosures are relevant to the manager and cover the assets the *manager* manages as part of its *sustainability in-scope business*.
- (2) If a *manager* relies on such *group* disclosures, it must ensure that its *sustainability entity report*:
 - (a) includes cross-references, including hyperlinks, to any disclosures contained within the *group* or *group* member’s report that relate to assets managed by the *manager* in relation to its *sustainability in-scope business* on which the *manager* is relying to meet its disclosure obligations under this section; and
 - (b) sets out the rationale for relying on the disclosure made by its *group* or a member of its *group* and why the disclosure is relevant to the assets managed by the *manager* in relation to its *sustainability in-scope business*.

5.6.6 **R** A *manager* must also ensure that any material deviations between its approach to governance, strategy, risk management or targets and metrics disclosed under **■ ESG 5.6.1R(1)** and the disclosures contained within the *group* report are clearly explained, either in its *sustainability entity report* or in the report made by its *group* or a member of its *group*.

5.6.7 **R**

(1) If a *manager* or a member of its *group* produces a document, other than its annual financial report, which includes disclosures relating to *sustainability characteristics*, the *manager* may cross-refer to these disclosures in its *sustainability entity report* where this information is relevant to *clients* or a *person* who is an investor in an unauthorised UK AIF managed by a *full-scope UK AIFM* or a *small authorised UK AIFM*, including hyperlinks to where the relevant disclosures are available.

(2) Where a *manager* cross-refers to disclosures made by a member of its *group* in accordance with **■ ESG 5.6.7R(1)**, it must explain in its *sustainability entity report* the rationale for relying on the disclosures in the supplementary document and how such disclosures are relevant to the *clients* or a *person* who is an investor in an *unauthorised AIF* which is a UK AIF managed by a *full-scope UK AIFM* or a *small authorised UK AIFM* of the *manager's sustainability in-scope business*.

Compliance statement

5.6.8 **R** **■ ESG 2.2.7R** applies in relation to the preparation of a compliance statement for the purposes of a *sustainability entity report* as if the reference to a *manager's TCFD entity report* has been substituted by the reference to a *manager's sustainability entity report*.