

## Providing an accessible and clear ESG disclosure

### Guidance for ESG disclosures on the AIC website

There is no set format for disclosing member ESG policies on the AIC website. However, preparers may wish to consider the following points when preparing information.

#### Key considerations

An important audience for these disclosures is retail investors. With this in mind, you should bear in mind the need to:

- **Keep disclosures short:** Brief statements covering the key issues are more likely to be read and therefore have a positive impact on consumer views.
- **Minimise jargon:** Many users will have a limited knowledge of ESG terminology. The AIC intends to develop materials to help retail investors understand some of the more technical aspects of ESG but using plain language wherever possible will be helpful.
- **Provide links if required:** It is possible to insert links to other disclosures for investors who want more detail. This will allow member companies to offer a balance between accessibility for most users while also providing a more comprehensive disclosure to those who need it. Links can either be added in the text itself or alongside the main text (see annex for an example of how links outside the text may be presented).
- **Use of existing materials:** Notwithstanding these suggestions, company boards may decide not to prepare a specific disclosure for the AIC website. Instead, they may wish to reproduce existing statements, for example, those included in the Annual Report and Accounts or on the company's website or factsheet.

The annex includes an overview of what the disclosure is likely to look like. This format is still under development, but the final presentation is likely to be similar.

#### Other considerations

- **Headings:** Statements can be broken down into separate sections. The interface includes some suggested headings. Using these may aid comparability between statements. However, preparers are able to add their own wording if required.
- **Headline statement:** Providing an initial confirmation that the company does have regard to ESG factors in the execution of its investment strategy may be a good starting point. This could include reference to the board's view of the impact on

these factors on the financial performance of the company as well as reflections on the need to invest responsibly and consider the company's broader impact on society/the environment etc.

- **Management group policy:** The statement might note the role of the external manager in delivering the investment strategy and that the company has reviewed the approach and agreed with the manager its adoption in relation to managing the company's assets. The company's ESG disclosure may well be briefer, and less technical, than the full management group policy. It may be appropriate to provide a link to the policy rather than disclosing it in full. However, if there are areas where the company's approach differs from the management group, it may be appropriate to give these prominence in the website disclosure.
- **Standards and codes:** As the ESG debate has evolved, a number of standards and codes have received prominence as mechanisms for asset managers and beneficial owners to explain their approach. These include, for example, the UN Principles for Responsible Investment (UN PRI), the Task Force on Climate-related Financial Disclosures (TCFD) and the Financial Reporting Council's Stewardship Code. Where members and/or managers have adopted or otherwise signed up to these approaches, these could be highlighted in the disclosure and relevant links provided.
- **Exclusions:** Some managers and/or companies may exclude certain sectors from their portfolio. Examples include excluding investments in tobacco, alcohol or companies involved with animal testing. If these exclusions are part of the investment approach, then this may be useful information to include.
- **Positive factors:** Some managers and/or companies may include certain investments in their portfolio where they meet identified ESG criteria. Examples include, for example, low carbon sectors, companies with a positive record on gender equality and diversity and/or renewable energy providers. If these considerations are part of the investment approach, then these could be explained.
- **Impact investing:** Investment approaches may incorporate a specific intention to secure ESG outcomes alongside achieving a financial return. This approach may include a commitment to reporting and measuring the impact of these investments. If so, it would be helpful to explain these issues.
- **Benchmarks:** Where an investment company is measuring its ESG performance/impact against a benchmark, this could be identified in its ESG disclosure.
- **Non-climate change issues:** Much of the debate to date has focussed on climate change. If members and/or their managers have ESG approaches which address

other environmental priorities, such as supporting biodiversity, preventing deforestation etc. these could be separately highlighted.

Other non-environmental factors could also be separately identified where this is relevant. Examples might include gender considerations, working standards/modern slavery, human rights etc.

- **Section 172 disclosures:** Companies which make disclosures on the environment and other relevant issues in the Strategic report may want to refer to these matters in their ESG policy.
- **Stewardship:** Where relevant, disclosures could identify stewardship activity (voting policies, engagement etc.) which is included in the ESG approach.
- **Charitable activity:** Support for charities, or other relevant activity, might also be covered.
- **Disclaimers:** If your disclosure requires a disclaimer, please put this at the end of the disclosure provided. One option may be to provide a short summary of this information with a link to a full disclaimer on the company's website (or management group if applicable) rather than providing the full text on the site.

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Annex: indicative format of proposed disclosure

The image below gives an impression of what the ESG disclosure is likely to look like. This format is still under development, but the final presentation is likely to be similar.

Note: the use of sub-headings is optional. The useful links ‘buttons’ will also be optional. If none are provided the ‘links’ box will be omitted.

