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# Principles for ESG Reporting

**Cover all issues that may pose a risk or have strategic relevance for the business:**

- It's not necessary to cover every conceivable issue, but glaring omissions will invite speculation. For instance, if Regnan has identified a business as having high exposure to (for example) a carbon price, but the company does not discuss its positioning in relation to climate change and carbon regulation, it is open to us to conclude that the company is not aware of or not addressing the issue.

**Discuss the issues in the context of their relevance for the company:**

- Many companies recognise corporate responsibilities. But as shareholders' representatives, Regnan is keen to see that the company understands the business impact the issues can have. Our interest in a company's philanthropic program, for instance, is in how it relates to brand value, employee engagement, or social license to operate. We think most other stakeholders are also pragmatic in recognising that companies 'do good' in the service of 'doing well'.

**Prove the company manages the issue seriously, as one that has relevance for value:**

- Disclose any policies of relevance to the issue (e.g. "zero harm") and describe any people, processes or systems that support the policy.
- Identify who is accountable for the issue, who reviews any relevant internal reporting, who reviews whether management in place is adequate (this may be an individual or committee).
- Describe any initiatives that go beyond the paperwork – e.g. not just disclosing the existence of a Code of Conduct, but explaining any induction training for staff on the code; efforts to improve compliance; a hotline for staff with ethical dilemmas or initiatives to tackle a culture of "good news."

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- Where the company's approach is justified, but unorthodox, explain why the company has taken that approach. A "comply or explain" approach (a.k.a. "if not, why not") can address shareholder expectations whilst not imposing strict conformance with conventional practices.

**Report performance:**

- Targets, benchmarking, reporting of trends through time, and some discussion and analysis of the results, all demonstrate the level of importance the company places on management of the issue and preparedness to be accountable for results.

**Don't let the perfect be an enemy of the good:**

- A frank discussion of any partial implementation, progress towards measurement, limited achievement of targets, reasons and responses can communicate progress and focus on improvements while also working in favour of the company's credibility.
- Transparency is a good thing in itself, offering the company a defence against surprises.

**External links - Reporting on ESG:**

Sustainability Reporting Best Practice for Listed Companies Ethos Fund (Switzerland)

NetBalance Trilogy: Disclosures on Climate Change

NetBalance Trilogy: Disclosures on Corruption and Bribery

NetBalance Trilogy: Disclosures on Human Capital Management

Broad Based Business Reporting