

Stewart Investors response to a request for views on ESG disclosure from the Association of Investment Companies (AIC)



Stewart Investors

Stewart Investors wrote to the AIC in response to a request for investment company ESG Disclosure on their website.

Thank you for the opportunity to provide feedback on your proposal to include an additional “ESG disclosure tab” on the AIC member website. You have asked for feedback from management groups and we are responding on behalf of Stewart Investors which is the appointed manager for two members: Scotgems and Pacific Assets Trust.

We support this measure to improve disclosure and would encourage the AIC to keep this as simple as possible. You have explained that the label of this tab might be “ESG disclosure” but that the precise name would be determined as the site is developed. Our view is that it could be too narrow to refer to “ESG” and that an overarching title such as “Sustainable and Responsible Investment” might be more appropriate. We agree with your approach of allowing managers to complete a freeform text box – this is a complicated topic and management groups will all have different approaches.

You have made some points on guidance to those making disclosures. In the “Company-related issues” section, we support your suggestion that management groups make it clear whether their approach is at a firm level or only applies to that investment company. This guidance would also be consistent with the Investment Association’s Responsible Investment Framework. We also agree wholeheartedly with the comments made in the paragraph titled “signposting”. Evidence will be important in ensuring that statements do not seem hollow or are perceived as greenwashing by the end-audience. If we get this wrong as an industry then we could cause more confusion in a field which is already difficult for end-investors to navigate.

You have already made some negative points around the use of third party ratings – we would also discourage their use on the AIC site. We support the general principle of transparency. However our experience so far has been that with continued consolidation in the sector, many ratings providers have become less amenable and able to provide detailed, bottom-up company-specific analysis relevant to our investment approach. When analysing individual investments in a portfolio many ratings agencies focus too much on historic disclosure, policies and processes. Where company operational performance is analysed, we have found that it is often assessed without any context. We have a number of other issues with rating agency methods but it is likely that this falls outside the scope of this letter.

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