

Nothing to hide

By Alan Porter, Fund Manager, Sanlam Investments

In late March 2022 the Securities and Exchange Commission (SEC) proposed rule changes that would require companies to include certain climate-related disclosures in their registration statements and periodic reports, including information about climate-related risks that are reasonably likely to have a material impact on their business.

If this gets through it is great news for investors. US companies account for over two thirds of the MSCI World Index by value and they tend to lag on sustainability-related disclosures relative to European companies. Improved disclosure from such a large component of global funds' investable universe can only benefit investors.

Fund managers regularly fill out potential client questionnaires and these have an increasingly large ESG component to them. A typical question might be "How is the team addressing exposure to climate change risk at the portfolio level?". A difficult question to answer if companies don't disclose that sort of information themselves. This is what the SEC is trying to address with its proposal.

At the Sanlam Sustainable Global Dividend Fund we use our proprietary Sustainability Scorecard as a key part of our sustainability analysis. The Scorecard consists of a series of questions covering the environmental, social and governance pillars. The typical format of the questions around any topic is: Is there a policy? Is there disclosure? Is there a positive trend?

We need decent disclosure. There is a chain here. Listed companies need to disclose as much as they can about the risks they face, whether sustainability related or not. This helps fund managers build appropriate portfolios to meet their given objectives. Fund managers need to disclose as much as they can about the portfolio risks so that clients don't face surprises. Full disclosure can only be a good thing. Let's hope the SEC's proposed rule changes are successful. There should be nothing to hide.

Fund risks

The Fund has holdings which are denominated in currencies other than sterling and may be affected by movements in exchange rates. Consequently the value of an investment may rise or fall in line with the exchange rates.