

JRCT's response to the UK Stewardship Code 2014

The [UK Stewardship Code](#) was first published by the [Financial Reporting Council](#) in July 2010. Revised recommendations were incorporated in September 2012. It recognises that effective stewardship benefits companies, investors and the economy as a whole and aims to enhance the quality of engagement between institutional investors and companies by promoting good practice.

As a responsible investor, we take seriously our role as an owner of the companies in which we are directly or indirectly invested, and fully support and endorse the UK Stewardship Code and its underlying Principles. While the UK Stewardship Code only applies to UK listed companies, where possible we expect our response to apply to all of our investment assets, regardless of asset type or geography.

Our response to the seven Principles contained within the Code is set out below.

Principle 1: Policy disclosure

“Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities”

- As a Quaker Trust, the Joseph Rowntree Charitable Trust uses its financial resources for radical change towards a more peaceful, equal and just world. Our investments, and our behaviour as an investor, including our approach to stewardship, contribute to this aim by encouraging business to be ethical, socially responsible and to protect the environment. Our expectations and actions in this respect are consistent with Charity Commission guidance.
- The majority of our funds are invested through external fund managers. We expect all our fund managers:
 - To invest responsibly and sustainably, integrating environmental, social and governance (ESG) factors into their investment process.
 - To engage with the companies in which they invest on matters such as strategy, performance, risk, capital structure and ESG issues, including culture and remuneration.
 - To escalate this engagement when necessary and, if over time this engagement is not successful, consider divestment.
 - To vote our shares.
 - To support and endorse the UK Stewardship Code and its underlying Principles.
- We monitor the activities of our fund managers through regular meetings and reporting. Through these means we specifically address the issue of stewardship.
- We are assisted in this monitoring by an external, independent, investment adviser who is experienced in responsible investment. We also ensure that individuals with relevant expertise serve on our Investment Committee.

- Where we manage holdings directly, we meet and engage with companies, attend AGMs and vote our shares.
- Our detailed Investment Strategy is published on our website www.jrct.org.uk

Principle 2: Conflicts of interest

“Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed”.

- We believe that our approach to stewardship is consistent with the interests of our beneficiaries.
- Where a trustee, co-optee, adviser or staff member has a potential conflict of interest in our decision making process, it is expected that they will declare this. Where that conflict is material, that individual will remove themselves from the process.
- We expect our fund managers to manage conflicts of interest in accordance with the UK Stewardship Code.

Principle 3: Monitoring companies

“Institutional investors should monitor their investee companies”

- We expect our fund managers, when monitoring each company in the fund, to:
 - Keep abreast of the company’s performance.
 - Keep abreast of developments, both internal and external to the company that drive the company’s value and risks.
 - Satisfy themselves that the company’s leadership is effective.
 - Satisfy themselves that the UK Corporate Governance Code is adhered to or, if appropriate, engage with the company if it is not.
 - Consider the quality of the company’s reporting.
 - Attend the general meetings of a company if they have a major holding, where appropriate and practical.
 - Engage with the company’s board and management about significant concerns.
- We review the activities of our fund managers in respect of the above through regular meetings and reporting. We expect them to apply the UK Stewardship Code to their monitoring of investee companies.
- We apply the same standards to ourselves in respect of those holding that we directly manage, meeting regularly with their senior management teams.
- We actively monitor our investee companies in respect of a number of ethical issues. When necessary, we will engage with companies, either alone or in partnership with others, or we will ask our fund managers to engage with them.
- We have robust procedures for the occasions on when we become insiders. We expect to be advised immediately by our investee companies and their advisers when we have become an insider, and when the period of being an insider has elapsed.

Principle 4: Escalation policy

- ***“Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value”***We expect our fund managers to have clear procedures, in accordance with the UK Stewardship Code, for the escalation of engagement with investee companies should concerns arise and to reconsider investment those which, after a period of time, are not responding to engagement.
- We expect our fund manager to report their stewardship priorities to us on a regular basis.
- When we have concerns about a company, irrespective of the size of the holding, on a matter not being dealt with by our fund managers, we are willing to raise the issue in writing through our office in an open and constructive but confidential manner.
- The response to such correspondence is considered by our Trustees sitting as the Trust’s Investment Committee.
- In the event of a non-response, or a response being considered unsatisfactory, we will engage further by correspondence or by meetings, with board members or their advisers. Our Trustees will lead on this.
- If appropriate, we will join with others when intervening on a particular issue.
- If appropriate, we are willing to make a statement ahead of General Meetings, submit resolutions to and speak at General Meetings and, if necessary, requisition a General Meeting, in some cases proposing to change the board membership.
- Ultimately, we are willing to express our concerns publically through the media.
- In extreme circumstances, we are willing to sell our holding and, if appropriate, withdraw from a fund, while advising the company and fund manager of our reason/s for doing so.

Principle 5: Collective action

“Institutional investors should be willing to act collectively with other investors where appropriate”.

- We recognise the value of collective engagement and expect our fund managers to act collaboratively with other investors whenever possible, in accordance with the UK Stewardship Code.
- We also welcome direct collaboration on all levels of engagement with other investors, such as our colleagues in the Church Investors Group and FairShare, and are willing to work with forums such as the Institutional Investors Group on Climate Change and the Carbon Disclosure Project to improve our effectiveness.
- We are a signatory to the UN Principles for Responsible Investment.

Principle 6: Voting disclosure

“Institutional investors should have a clear policy on voting and disclosure of voting activity”.

- We believe that proxy voting forms an integral part of the routine monitoring of investee companies and expect our fund managers to actively vote the shares in the funds in which we are invested in accordance with the UK Stewardship Code.
- We expect our fund managers to vote our shares in a manner that reflects both our position as a responsible investor and our underlying mission where practical to do so.
- We expect our fund managers to disclose how they vote.
- We routinely monitor our fund managers’ policy and activity in this area.
- We vote the shares which directly manage ourselves after careful consideration of the issues being voted on.
- If we vote against or abstain from voting, we endeavour to advise the company in advance of our reasons why.
- Our detailed voting record is available on request.
- We do not lend stock.

Principle 7: Periodic reporting

“Institutional investors should report periodically on their stewardship and voting activities”.

- We expect our fund managers to regularly report to us on their stewardship activity in accordance with the UK Stewardship Code.
- Every year we ask our fund managers to supply us with a copy of their AAF 01/06 report.
- We report details of how we have discharged our stewardship activities in the Trustees’ Annual Report which is published on the Trust’s website.
- We publish information on our holdings on the Trust’s website.

Jackie Turpin, Head of Finance, can be contacted for further information and by those interested in collective engagement.

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1 May 2014