Joseph Rowntree Charitable Trust

Montreal Carbon Pledge disclosure 2016/17

Introduction

The Joseph Rowntree Charitable Trust is a Quaker trust which supports people who address the root causes of conflict and injustice. Our investments, and our behaviour as an investor, contribute to this aim. In particular, we try to avoid investing in corporations whose activities conflict with our aims and seek to encourage businesses to be ethical, socially responsible and to protect the environment.

Recognising the challenges and opportunities presented by climate change, we have acknowledged the need to identify and understand the carbon impact of our investments. To this end, we were one of the first organisations to sign up to the Montreal Carbon Pledge, committing to measure and disclose the carbon footprint of our investments annually.

The overwhelming majority of our investments are externally managed by carefully selected fund managers who run responsible and sustainable funds and invest in sustainable companies which operate with integrity and whose products or services meet the basic needs of people and protect the natural environment. We expect our managers to reflect climate change considerations in their investment choices, and to engage with investee companies and vote our shares in a way which reflects our concern about climate change.

To the extent that they are already measuring the carbon impact of the funds in which we are invested, we do not seek to replicate their work and are happy to rely on their findings. However, because our fund managers carry out their individual assessments on different dates using different methodologies and benchmarks, we recognise that this opens up the possibility of inconsistencies creeping into the measurement of our portfolio carbon footprint as a whole.

We also recognise that carbon impact measurement is still in its early days and that, for one of our fund managers at least, it is still work in progress. Another has chosen not to measure its carbon footprint due to lack of client demand. Nevertheless, our position is that carbon measurement is important and that all our fund managers should measure the carbon footprint of their portfolios. We will continue to make it clear to them that we have this expectation.

Finally, we acknowledge that measuring the carbon footprint of a portfolio only tells one side of the story. For example, it may be that while some activities may have a relatively high carbon impact, improvements may be being made to reduce this impact over time or they may be substituting for even higher carbon impact activities. In reviewing our fund managers’ carbon footprint, we look at the whole picture and do not judge them solely on this measure.

Reported outcomes

As at 31 December 2016, 98% of our portfolio was externally managed. Since then our portfolio has been restructured. Of those funds in which we were invested in 2016 and which we continue to be invested in, the split was:

- 57% global equity funds
- 36% UK equity funds
- 7% thematic fund.

The carbon footprint of one of the two global equity funds in which we were invested in 2016 and in which we continue to be invested was independently measured, by Trucost as at 31 March 2017. It significantly outperformed its benchmark, the MSCI All Country World Index, by 73%.

The 2016 carbon footprint of one of the two UK equity funds in which we were invested in 2016 and in which we continue to be invested was also measured by MSCI as at 31 December 2016 and, again, it significantly outperformed its benchmark, MSCI UK ESG Index by 50%.

The thematic fund in which we were invested in the year and in which we continue to be invested does not measure its carbon footprint against benchmark. However, it was able to demonstrate that in 2016 a £10 million investment in the fund had produced a net carbon reduction of 7,970 tonnes of CO2 emissions.

Conclusion

Over 2017 we were able to assess the carbon footprint of 50% of the funds in which we were invested in during 2016 and which we continue to be invested in. Without exception the results were materially favourable. Our sense is that we might reasonably extrapolate these finding to our other funds.

We recognise that part of this outperformance arose because it is not in the nature of sustainable fund managers to invest in fossil fuel and similar, carbon intensive, industries despite the presence of such companies in the benchmark indices.

However, it is also clear from our conversations with our fund managers that their strong commitment to long term sustainable growth plays out in positive ways as well, for example through their investment in companies which are developing the low carbon solutions of the future.

Going forward we would welcome more consistency around reporting although, as previously stated, we do appreciate that the current carbon footprint of a company or a fund is only one measure of their carbon performance.   We also look forward to much wider reporting on carbon impact throughout the fund management industry.

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