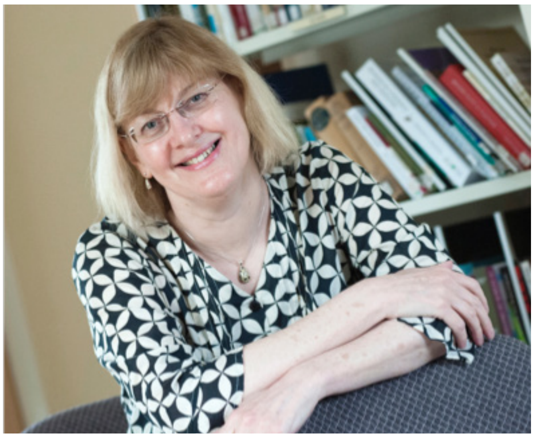
Jackie Turpin – Head of Finance at Joseph Rowntree Charitable Trust (UK)

THE JOSEPH ROWNTREE CHARITABLE TRUST



Jackie is the head of finance at the Joseph Rowntree Charitable Trust and the director of the Church Investor Group, as well as a member of the Steering Group and Treasurer.

Can you tell us a bit more about your approach to ESG at the Joseph Rowntree Charitable Trust?

Unsurprisingly, given that the Joseph Rowntree Charitable Trust is a Quaker Trust, we have had a long-standing interest in the ethics of investment. We were an early player in the arena of ethical investment with our first policy statement being agreed by our Board in 1975.

Originally, we invested through relatively mainstream investment managers who ran segregated mandates for us in accordance with our ethical investment criteria. However, the simple selection of investments off an 'acceptable list' served to emphasise our negative exclusions and underplay the positive investment elements of our policy.

Fortunately, with the advent of sustainable investment strategies, we have been able to rectify this imbalance. Since 2013 our approach has been to invest in sustainable funds which integrate ESG considerations into their routine investment processes as a matter of course.

This change in strategy has not only brought us closer to where we would like to be from an ethical standpoint but also it has had a positive financial impact. By investing in this way, we have moved from making mediocre returns to outperforming our weighted composite benchmark (MSCI world index & FTSE All Share index) by 2.4% p.a. over the last five years to January 2019. This is a clear example of where doing the right thing has literally paid dividends.

Another pleasing benefit of this approach is that it enabled us to meet our commitment to divest from fossil fuels by 2020 three years early. The simple fact is that if you invest sustainably you are very unlikely to invest in these kinds of stocks.

Do you measure your investments' (non-financial) impact?
We don't explicitly try to measure our investments' non-financial impact although we do ask our managers to report on the carbon foot print of their funds and report on this as part of our Montreal Carbon Pledge.

That said, two of the seven funds we are invested in are specific environmental funds and most of our generalist funds do make positive investments. Our bottom line is that the companies in which we invest should be sustainable and not be involved in harmful activities.

We do hold our managers to account on these matters. Of our two annual meetings with them, one is devoted purely to ESG matters when we challenge them in a very healthy way about the sustainability of the investments in their funds.

Did you encounter any hurdles on your 'ESG journey' and if so, which ones?
The common faith base of our trustees has meant that for us the ESG journey has been relatively straightforward and it was relatively easy for them to come to a consensus on what should be included in our ethical investment policy. Furthermore, because in most cases our trustees do not come to us with investment experience, they do not have any preconceptions and are adaptable and open to innovative ways of working.

Probably the biggest difficulty we faced was early on when there was a paucity of appropriate investment products to support our investment strategy. Thankfully things have moved on since then and, while we have had to be very discerning, we have found some very capable managers with which to entrust our funds.

What do you think is most needed in the ESG space at the moment?
Certainly, in the charity world we need greater clarity around whether charities should ensure their investments support their goals and their duty to provide public benefit. To this end we have joined a charity investor coalition calling for a landmark ruling on trustees' responsibilities when investing. The coalition, which includes a number of high profile charities, has written an open letter to the Charity Commission and Attorney General calling on them to refer the issue to the Charity Tribunal for an urgent and definite ruling. A positive ruling would put the onus on trustees to consider whether their investments are in conflict with their charitable aims.

One significant area which this would impact is how trustees think about investments in companies which contribute to climate change and may undermine the very aims charities exist to achieve. Other charities are most welcome to join this coalition.

For any funds starting to think about ESG, can you give any advice?
There is still a perception amongst many institutional investors that the integration of ESG considerations into investment decisions will adversely impact on financial returns. Yet while we would not allow financial considerations to be our sole concern when making investment decisions, our experience tells us that investing ethically, responsibly and sustainably does enhance returns.

So my advice would be to go for it. At worst you will not be doing society a disservice. At best you may very well reap financial advantages.

That said, many managers are now jumping on the ESG bandwagon and are offering greenwashed products that, perhaps on greater scrutiny, do not live up to their sustainability claims. Don't be afraid to challenge your managers on their investment processes to identify whether their ESG processes are truly integrated or are simply a half-hearted add-on. And trust your instincts – if you don't think that your managers are walking the talk, they probably aren't.