Joseph Rowntree Charitable Trust

Statement of expectations of our fund managers in relation to corporate tax

Background

As a past funder of the Tax Justice Network and more recently the Fair Tax Mark, one of the concerns of Joseph Rowntree Charitable Trust trustees is whether the corporate tax practices of their investee companies are not only legal but also, from a societal stakeholder standpoint, pay the 'right' amount of tax. This is not just a moral issue – we also believe that those companies that behave responsibly and give back to the communities in which they operate are likely to prove most resilient over the long term.

That said, we also appreciate that corporate tax is a particularly complex area. While the moral and economic case for paying the 'right' amount of tax is compelling, most companies face a competitive and uneven tax playing field and calculating what the 'right' amount of tax they should be paying is not always clear cut. To this extent we recognise that engagement with these companies can be slow, cumbersome and not always productive.

We acknowledge that to overcome the problem of companies not paying enough corporate tax, much of the change required has to come from inter-governmental co-operation, and that we need to move towards a more unitary system that treats companies as one operation and taxes them wherever their activity has taken place. However, there are significant difficulties in getting inter-governmental co-operation on this front and progress is likely to be slow.

Our position

While recognising the major importance of inter-governmental co-operation in bringing about change, we do not consider that we, as investors, and our fund managers should remain passive about this issue. We believe that it is in all our interests to keep corporate tax on the agenda, both of those bodies which can bring about change and of the companies themselves. To this end, we have articulated our expectations of our fund managers in relation to corporate tax as follows.

Expectations

We expect our fund managers to:

- Monitor the level of corporate tax payments made by our investee companies, not only as an indicator of corporate behaviour in its own right but also recognising that those that meet their corporate tax obligations are also likely to demonstrate good corporate behaviours other areas.
- Divest from those companies that are clearly exploiting the tax regimes in the countries in which they are located and where engagement on the matter is likely to be ineffective and there is no mitigating ESG case for investment.
- Otherwise engage with those investee companies that are clearly exploiting the tax regimes in the countries in which they are located. The depth of such engagement will be driven by the extent to which it is anticipated that such engagement will be effective and by other engagement priorities. Whatever the nature of the engagement, the issue should be kept on the agenda.
- Support collaborative engagement initiatives both at policy level and at corporate level for example by encouraging the adoption of the Fair Tax Mark by investee companies.

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