The Joseph Rowntree Charitable Trust Case Study

Aligning investment decisions with targets of responsible investors

THE JOSEPH ROWNTREE CHARITABLE TRUST

The Brief

Who is the client?

The Joseph Rowntree Charitable Trust is an independent faith-based asset owner. It commits to investment in sustainable companies whose products or services meet the basic needs of people and protect the natural environment.

The Trust manages a portfolio worth £ 200m. As an investment principle, the Trust focuses on the long term: The asset owner engages with companies, both directly and through its fund managers to try to improve investees' practices. In this way, the investments are expected to increase their value and generate income over time.

What is the context?

As a responsible investor, the Trust aims to invest in sustainable companies. This includes companies that have a strategy in place to manage and reduce their greenhouse gas (GHG) emissions.

For the Trust there is a compelling economic argument to disinvest from companies that are either ignoring climate change, or are adopting a short-term view of it. Companies are increasingly held accountable for their environmental footprint due to tightened environmental regulations; failing to recognise such risk leads to losing company value, not only due to the effects of climate change, but also as a result of regulation. Future corporate leaders and today's responsible investors need to take steps to measure and mitigate their impact on global climate.

What was the challenge?

Understanding a company's climate impact is essential for making long-term investment decisions. Investors face the problem that data on companies' environmental performance are not readily available and comparable. To separate the climate-friendly from the not-so-climate-friendly, an investor needs to:

a) rely on an investee's GHG inventory and
b) take an investee's climate strategy into account.

Although many GHG accounting standards such as the GHG Protocol or ISO 16064 are well established, only a few companies report their emissions in a standardised and comparable way, and even if they do, the data are often unreliable.

How did The Joseph Rowntree Charitable Trust proceed?

The Trust is an ongoing supporter of several initiatives that link investors to their climate impact, such as the CDP and Carbon Tracker. However, it was also keen to measure the climate impact of that part of its managed investments which it could most easily influence, its directly managed portfolio.

Therefore when it was offered a premium solution that gives a fully-transparent analysis based on a company-by-company assessment, and also a forward-looking examination of the individual investee's climate strategy, the Trust felt that this would greatly enhance its understanding of its portfolio.

> *"We wish to invest in companies that offer solutions to climate change and avoid those which contribute excessively or unnecessarily to it."*
>
> **Jackie Turpin** Head of Finance
> Joseph Rowntree Charitable Trust

The Premium Climate Impact Assessment guarantees The Joseph Rowntree Trust the following benefits

1. **Enhancing results**
   Identification of the Alpha by investing in companies actively addressing climate change. There is an indication that they outperform their market competitors due to better management.
2. **Reducing risk**
   Identification of investment risk resulting from climate change and the resulting policies, such as carbon taxes, emissions trading schemes, reporting regulations and other compliance issues.
3. **Positioning**
   Be recognised as a thought leader and role model.
4. **Managing the Trust's investment process**
   Optimisation of the Trust's investment process and development of solid targets for interacting with your investment manager or investees.
5. **Driving change**
   Engagement with the Trust's investees to lead an informed dialogue about their climate strategy.

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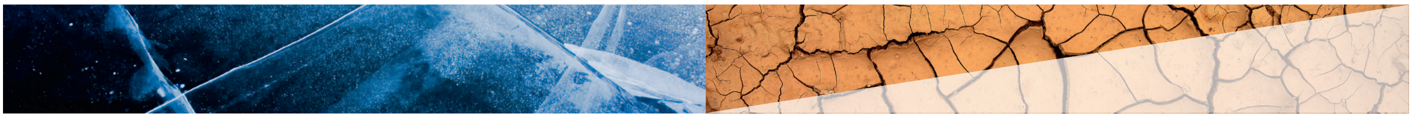

What appealed to the Joseph Rowntree Charitable Trust about the Premium Climate Impact Assessment?

Given the need for transparency in the investees' climate impact, the Trust welcomed a solution which addresses both problems in data availability and quality, as well as in "point in time" footprints that do not take future developments of investees into account. With the Premium Climate Impact Assessment conducted with south pole group's partner CDP, the Trust receives a comprehensive analysis of the climate impact of their investees which validates GHG emission data and closes the gap on non-reporting investees. The forward-looking approach also enables the Trust to understand the investees' climate strategy, taking into account climate policies, emissions targets, business risks and opportunities. Furthermore, the detailed assessment results allow the Trust to interact directly with its investees in discussing their GHG strategy and positioning in detail.

What were the advantages of the chosen solution?

The Premium Climate Impact Assessment provides full transparency in the investees' climate impact. This is essential for today's investment decisions. Firstly, it allows the Trust to evaluate an investee's risks in terms of climate impact – a key issue for the Trust's risk management. Secondly, the Trust is able to further align their decision process with their strategic target of being a responsible investor.

What is Premium Climate Impact Assessment?

The Premium Climate Impact Assessment represents our state-of-the-art assessment practice. It remains unchallenged in the market, covering all features of our Investment GHG Footprint product, such as company-by-company assessment and interpretation of results. Additionally, it comprises a forward-looking examination that is conducted jointly with our partner CDP. For each portfolio holding we take into account the investee's existing climate strategy.

We evaluate each company's specific climate change-related risks and opportunities, and how each company addresses these issues. The Premium Climate Impact Assessment's results will allow you to actively engage with your invested companies and support them in addressing their specific climate change challenges.

Why work with us

Global team

We are a truly global provider of sustainability solutions and services. Our team is made up of over 100 skilled and enthusiastic professionals from a host of different countries, based in offices spanning 6 continents.

Proven impact

Since 2006, we have measured the climate impact of countless companies and products worldwide. We have screened USD 30 bn+ of investments for their climate impact and we have developed 270+ projects in renewables, forestry, agriculture, industry and households. Through our efforts, 50 million tonnes of CO_2 have been saved, almost as much as the annual CO_2 emissions of Portugal. We have enabled the production of 35,000 GWh of renewable energy (more than the annual electricity consumption of Denmark), and mobilized over USD 6 bn for clean energy investments in emerging markets. In total, our projects have helped create almost 20,000 jobs in developing countries and we have saved 17,000+ hectares of forest from deforestation, about the size of 24,000 soccer pitches.

Added value

We help you grow with groundbreaking solutions that benefit your business, the environment and society.

What other faith-based investors say

"Even if you think you had a good picture of the portfolio you will be surprised with some of the results. The data is a great tool for you and the asset manager to improve your climate footprint."

Gunnela Hahn
Head of Responsible Investment, Church of Sweden

"The Premium Climate Impact Assessment is a meaningful way of monitoring the asset managers' commitment to ESG analysis. It also helps an asset owner to better understand where the portfolio's climate impact originates from. The results can be very eye-opening."

Magdalena Lönnroth
Church Pension Fund of Finland

"In the past, Steyler Bank already decided to divest from some companies because of their high carbon footprint. In our planned engagement processes, we address the investee's responsibility for climate change in dialogue."

Jutta Hinrichs
Ethics and Sustainability, Steyler Bank GmbH

References

Svenska kyrkan

Steyler Bank

thesouthpolegroup.com/sustainablefinance

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