

## **Investment Policy**

### **1. Introduction**

- 1.1 The Joseph Rowntree Reform Trust is a limited company which gives grants to fund campaigns in the UK to promote democratic and political reform, civil liberties and social justice.
- 1.2 The long-term investment objective is the pursuit of the maximum total return taking income and capital growth together, with due consideration of the prevailing tax rules and ethical implications, without incurring undue risk, from a diversified portfolio of UK and overseas investments to enable the Trust to maintain or increase the level of the Trust's activities in real terms over time.
- 1.3 As of June 2021, the Trust had approximately £54.5 million of investments of which £5.28 million (9.7%) were in the form of long-term direct investments in property, with the balance in listed and unlisted investments. The dividends and property rental fund the Trust's grant making.
- 1.4 The Trust's grant guidelines are set over a rolling five-year period and in the year to December 2020, the Trust paid out £1.99 million in grants.
- 1.5 The Directors have unrestricted powers of investment and can spend capital and accumulated income as the needs of the Trust require.
- 1.6 The Trust employs a small number of professional staff with limited Director and staff capacity. Therefore, we rely on professional investment managers to advise, manage and invest responsibly.

### **2. Investment Objectives**

- 2.1 The Trust invests for long-term growth. In normal market conditions, investments should provide sufficient funds to meet the Trust's grant making and administrative expenditure from income and capital growth using a distribution rate of 5% of capital values.
- 2.2 The aim over the short term – 2022-2025 – is to produce income of £2 million at current market values for grant and project spend, as well as to meet the tax requirements associated with aligning the investment portfolio with the investment policy. We recognise this will require a higher level of drawdown

which reduces the value of the portfolio over time and will review this annually and on a rolling three yearly basis.

- 2.3 The Trust adopts a total return approach to investment, generating the investment return from income and capital gains or losses. It is expected that if in any one year the total return is insufficient to meet grant-making expenditure, in the long term the real value of the Trust will still be maintained in accordance with the investment objective above.
- 2.4 The Trust aims to diversify the portfolio to minimise risk from a large loss from a single security/sector/industry. Investment in any one industry should not exceed 15% of the portfolio. Exact percentages will vary, reflecting the market cycle and does not apply to investment trusts. The investment managers should have sufficient flexibility to manage our investments without significant constraints. NB the industry sectors are as per 'FTSE Russell Sectors'
- 2.5 The Trust wishes to hold no more than 25% of its total assets in property in normal market conditions and will seek to reduce direct holdings in bricks and mortar property to zero by 2024, where market conditions allow.
- 2.6 The Directors have the power to spend down from the investment capital in exceptional circumstances.
- 2.7 The Trust will seek to invest its resources responsibly in ways that promote our values and mission or at the very least do not contradict or undermine them.
- 2.8 It is recognised that transition arrangements may be required for the investment objectives to be fully implemented.

### **3. Risk**

- 3.1 Attitude to risk. The Trust relies on the investment return to fund grant making. The key risk to long-term sustainability is inflation and the assets should be invested to mitigate this risk over the long term. It is important to note that the Trust is prepared to take a long-term view of market fluctuations as it has a limited level of forward commitment to expenditure at any one time. This makes it appropriate to invest in a higher proportion of equities than some other organisations in order to generate a higher long-term return. The Trust may periodically set a minimum percentage equity investment. NB current portfolios are over 90% invested in equities.
- 3.2 Assets. The Trust's assets can be invested widely and should be diversified by asset class, manager (either within a single portfolio or across multiple portfolios) and security. Asset classes are at the discretion of the investment manager and should be deemed suitable for the Trust. Any new investment types should be discussed with JRRT before proceeding eg derivatives.

3.3 Currency. The base currency of the investment portfolio is sterling. Investment may be made in non-sterling denominated assets, but a minimum sterling allocation of 30% should apply to provide exposure for regular sterling needs and to provide protection against unexpected additional sterling needs.

3.4 The Trust will complete a risk profile questionnaire every three years.

#### **4. Liquidity Requirements**

4.1 The Trust aims to distribute grants of between £1.5 million and £2.5 million annually at current market values. This can be funded from income and capital.

4.2 There is no restriction on investment managers to maintain an investment in cash or investments that can be realised within a short time frame.

4.3 The Trust will forecast its cash requirements at least quarterly and liaise with the investment managers on its short-term cash requirements.

4.4 The Trust will inform the investment managers of any one-off events that will require the liquidation of investments.

#### **5. Ethical Investment Policy**

JRRT aims to shift the focus of this policy in the coming years, towards a strengthened emphasis on sustainability that aims to maximise financial returns while trying to effect positive outcomes for people and the planet. This will enhance the policy on exclusions which remain a key element.

The policy will therefore focus on investing in companies that manage ESG factors in a sustainable long-term way, e.g. companies with strong governance processes, environmental projects and/or a focus on rights and equality.

In response to findings on the origins of JRRT endowments, the policy will actively address racial justice, and take account of Modern Slavery.

5.1 Negative Screening. The Trust seeks to avoid investment in companies with material involvement in the manufacture or sale of armaments, brewing/ distilling/ retailing of alcohol, gambling and activities that relate to tobacco or pornography, extractive, carbon-based industrial activities and practices associated with Modern Slavery. The extent of an exclusion will be further defined in the ESG questionnaire.

5.2 Positive screening. The Trust will seek investment in companies (and investment trusts) that conduct their business in a way that gives prominence to employment conditions, the environment, attitude to communities in which they operate, diversity, equity and inclusion, and corporate governance.

- 5.3 Sustainability. The Trust encourages its fund managers to consider investments in individual companies or investment/unit trusts, the activities of which positively contribute to the production of sustainable solutions for economic development and/or have minimal negative impact on the communities and environments in which they operate their business.
- 5.4 The Trust recognises climate change as a high-level risk to our investments as well as a risk to the pursuit of our long-term aims. We will proactively address both risks and opportunities in our investment strategy, divesting from extractive, carbon-based companies and open to investments that support a just transition to a post-carbon economy.
- 5.5 Shareholder activism. The Trust's policy will be to not normally attend the AGM of companies it invests in. The Trust encourages its fund managers to demonstrate responsible stewardship of the Trust's investments via proxy voting and, where appropriate, engagement with companies on social, environmental or governance matters.
- 5.6 The Trust will aim to have the portfolio aligned with this policy by the end of 2024, with the timing of disposals at the discretion of our fund managers to allow them to respond to market movements and to monitor convergence between existing holdings and this policy. Fund managers will advise the Trust if circumstances mean that this aim requires adjustment to the timescale.
- 5.7 The Trust will complete an ESG questionnaire every three years.

## **6. Management, Reporting and Monitoring**

- 6.1 The Trust has appointed professional investment managers (currently Rathbone Greenbank) to manage the assets (excluding property) on a discretionary basis in line with this policy.
- 6.2 The Trust believe that it is not Directors' responsibility to advise on individual share holdings. The Trust will however agree limits on the amount of capital gain that can be realised in each period without further authorisation.
- 6.3 The investment managers will attend twice yearly meetings of the Finance Committee to review investment performance and any changes to investment policy or strategy.
- 6.4 The investment managers will produce a quarterly report for all funds it manages (currently two) and distribute this to members of the Finance Committee by email. This report to cover asset allocation, performance, risk profile, sustainability themes, and consistency with long-term investment objectives. The investment managers will also report on their own company diversity objectives and progress.

- 6.5 Investment performance will be monitored against three agreed benchmarks – MSCI WMA Growth, RPI +3%, ARC Charity Equity Risk.
- 6.6 Changes to authorised signatories for Investment purposes are approved by the Directors.
- 6.7 The Trust will formally review its selection of investment managers every five years.
- 6.8 The Trust will formally review its asset allocation, including Property at the same time as 6.7.

**7. Approval and Review**

This investment Policy was approved by the Directors at a board meeting on Friday 3 December 2021 for implementation from 1 January 2022. It will be reviewed every three years to ensure its continuing appropriateness.

Signed ..... Chair of JRRT Board

Signed ..... Chair of Finance Committee

The investment strategy was updated in December 2021