Ruffer LLP

Environmental, Social and Governance Report

for the year ended 31 December 2015

INVESTORS IN PEOPLE

Contents

About Ruffer

Ruffer is a privately-owned investment management firm. We currently manage over £18 billion for pension funds, charities, companies and private clients, and employ over 200 people.

Our goal is to deliver consistent positive returns, regardless of how the financial markets perform. We define this through two investment aims

— not to lose money in any rolling twelve-month period
— to grow funds at a higher rate than would be achieved by depositing them in cash

Ruffer portfolios are predominantly invested in conventional assets, such as equities, bonds, collective investment schemes, commodities and currencies; we also will make use of derivatives.

At the heart of our investment approach is an asset allocation which always maintains a balance of growth and protection investments. Protective assets should perform well in a market downturn and defend the portfolio value; those in growth, principally equities, should deliver good returns in favourable market conditions. This blend of offsetting investments reflects the prevailing risks and opportunities that we see in financial markets, rather than any pre-determined allocation. We operate without the constraints of benchmarks that institutional investors have historically been tied to.

Introduction

In the past Ruffer has provided specific engagement and voting reports to clients on request. Last year we collated our 2014 Environmental, Social and Governance (ESG) activities into Ruffer's first annual ESG report.

The 2015 ESG report covers voting statistics and specific engagement examples as well as some of the broader ESG issues that have arisen during the past year.

The report introduces a number of case studies for what we consider ESG best practice companies. This year we review renewable energy stock Canadian Solar, the Japanese electronics company, Sony, the Sri Lankan conglomerate John Keells, best known for its Cinnamon Hotel brand. Members of our research team travel extensively to meet company management and also seek to understand the socio-political as well as economic backdrop of the countries the companies are operating in.

Environmental, social and governance framework

At Ruffer our corporate governance programme, including the treatment of ethical, social and environmental issues, is integrated into our investment approach. We recognise that a sound corporate governance framework promotes leadership by boards of directors as well as good management practices, contributing to the long-term success of companies and better returns for our clients.

We believe it is important that, once we become shareholders on behalf of our clients, we remain close to the executives and Board of Directors. Stewardship is as much about responsible ownership as a considered approach to selecting companies. Ruffer's clients include corporate and public pension plans, insurance companies, collective investment schemes, foundations, charities and individuals. Some have expressed their views on corporate governance, while others have not. The one thing they all expect us to do is to protect and enhance their assets. In pursuit of this goal, we use our professional judgement to determine when to engage and how to vote at shareholder meetings to best protect the economic interest of our clients. We may also engage with investee companies in response to specific concerns raised by clients.

We actively seek to integrate environmental, social and corporate governance issues into our investment process. We believe that ESG factors are often a signal of management quality.

In 2015 we have further integrated ESG into our investment processes. The highlights were—

— becoming a signatory to the CDP (formerly the Carbon Disclosure Project) in July. The CDP surveys global companies and signatories have access to companies' data on climate change, water stress and deforestation. This will enable us to engage with companies on specific data points of interest to us.

- in August we became a signatory to the Japan Stewardship Code as part of our commitment to responsible ownership.
- in November we co-hosted a round-table climate change breakfast event at our Victoria Street offices. Please find more on this event on page 19.
- we also kick-started our water stress engagement programme in November using data collected by the CDP. For further information on the water engagement programme please read page 8.
- our application to become a Principles of Responsible Investment (PRI) signatory was approved in December and we became an official signatory on the 3 January 2016.
- in December, Ruffer's common investment fund, a fund for UK charities, co-filed the 'Aiming for A' climate change shareholder resolution with other investors in the UK. Please find more information on the 'Aiming for A' coalition on page 20.

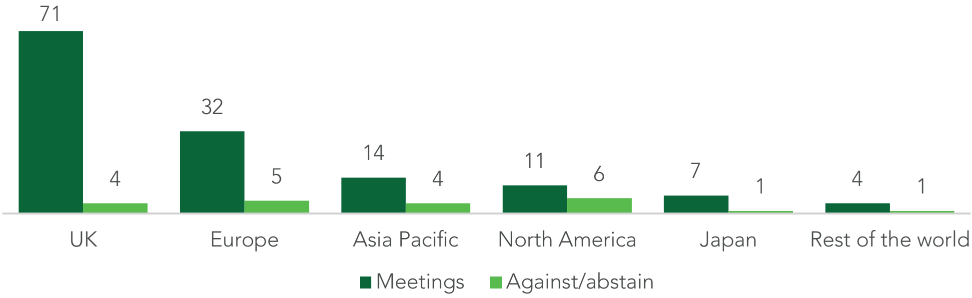
General updates

We are committed to the UK Stewardship Code, published by the Financial Reporting Council in 2012, and we state on our website (www.ruffer.co.uk) how we comply with the Code and explain where we do not. We updated Ruffer's response to the Stewardship Code and Ruffer's ESG policy in 2015, in line with our response to the Japan Stewardship Code.

Voting activities in 2015

The 2015 aggregated voting data analyses Ruffer's overall voting patterns across Ruffer funds, institutional and private client holdings. Ruffer votes on holdings which we deem to be, in aggregate, a material holding for our clients or where we hold a material stake in the company. We will also vote in other circumstances where we believe it is in our clients' best interests. Voting activities increased across assets in line with the overall increase in ESG engagement in 2015.

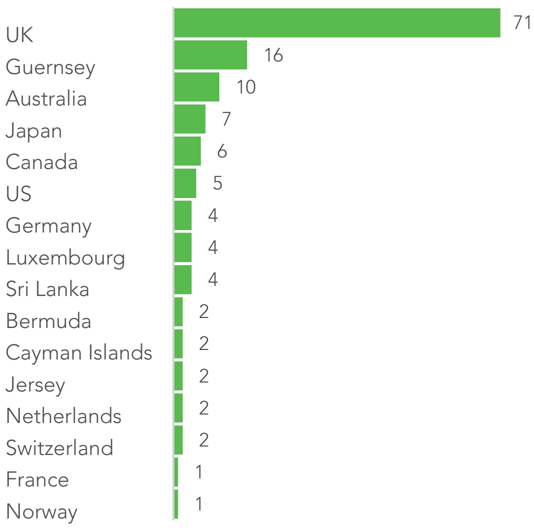
Voting summary



Meeting overview

Number of meetings voted	139	%
At least one vote against, withhold or abstain	20	14.4

Number of items voted	1,165	%
For	1,119	96.1
Against	32	2.7
Abstain	14	1.2
Against management	52	4.5
Shareholder proposals	18	1.6

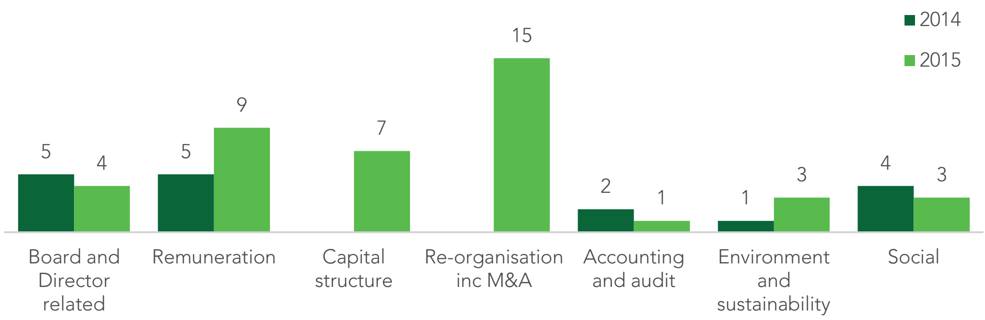


We will vote our clients' shares in accordance with our corporate governance principles and guidelines in conjunction with analysts and investment managers. We do not outsource our stewardship responsibilities but we do use advisory firms for information purposes.

Engagement activities in 2015

We attended over 1,500 company meetings during 2015. We have highlighted below a number of specific ESG engagements we have had across diverse issues. The company engagements on ESG issues are presented aggregated by issue and as detailed case studies. These include a description of when and where the engagement took place and where possible what the outcome was and whether the issues are still under review.

ESG engagement by issue



Board and Director related	Remuneration	Capital structure	Re-organisation inc M&A	Accounting and audit	Environment and sustainability	Social
Mitsui Fudosan	The Rank Group	West Kirkland	Atmel	Mitsui Fudosan	Apple	Goldcorp
FCB	Man Group	Science Group	Colt		Lockheed Martin	Lockheed Martin
Kinross	ICAP	Runge	Conviviality		Pittards	
Anonymous engagements	Safestyle	Anonymous engagements	Infinis		Shell (follow-up)	
	Microsoft		HellermanTyton			
	Kinross		Finsbury Foods			
	Red Five		Mattioli Woods			
	Endeavour Mining		Gloo Networks			
	Lockheed Martin		Alliance Pharma			
			Tokio Marine			
			Sony			
			Recruit			
			Rakuten			
			T&D			
			ORIX			

ESG engagement themes in 2015

Executive remuneration

The first quarter of 2015 was dominated by consultation and engagement, particularly on remuneration issues focusing mainly on UK companies as well as gold mining companies. Where we voted against remuneration reports our concerns were predominantly over a misalignment between pay, performance and strategy.

A recurring reason for opposing remuneration or taking up engagement last year was predominantly lack of disclosure. It is important that companies provide shareholders with both forward-looking and retrospective disclosure of their remuneration practices to enable us to assess the nature of the plan and ensure alignment between pay and performance. We expect and encourage, for example, disclosure of the metrics and targets used to measure performance, the vesting thresholds of awards and the company's attitude with regards to change in control such as so-called 'golden parachutes' or 'golden hellos'.

Engagement on executive remuneration requires focus on the details. In order to ensure Executive Directors' Key Performance Indicators (KPI) are aligned to the company's overall business strategy we need to assess specific company performance or profitability indicators and goals. It is important for us to understand a remuneration policy and/or report in the context of the overall company and business sector.

We are proud to have played our part in challenging some remuneration policies. We have seen successes where company performance indicators were added to a compensation policy that was based on profitability indicators only. We have also guided overall remuneration policies as well as the detail of performance indicators.

At Ruffer we engaged with the following companies—

The Rank Group	Kinross
Man Group	Red 5
ICAP	Endeavour Mining
Safestyle	Lockheed Martin
Microsoft	

Board structure and gender diversity

In 2015 Ruffer has further strengthened its voting guidelines by developing clear policies on a company's board practice and composition, including succession planning, nominations of non-executive and independent directors, audit reviews of board practices as well as diversity.

In Japan the implementation of the Corporate Governance Code in June 2015 was the driving force behind significant changes at board level. The most discussed issues were the appointment of independent directors as well as changing the board structure to a three committee board[1], with an audit, nomination and remuneration committee.

1 Traditionally in most Japanese companies the board functions as the top decision-making authority rather than monitoring and supervising the management as is the case in most other developed countries. Japan, instead, has a statutory auditor who is expected to assume responsibility for monitoring and supervision. However, the statutory auditor does not have power to elect or remove board directors and focuses more on compliance and prevention of illegal acts rather than on management's performance.

Prime Minister Abe's corporate governance reforms in Japan have also focused on increasing the percentage of women in the workforce. The Japanese government set a target of '30% female management by 2020'. As of 2013 only 1.2% of directors, 5% of general managers and 8% of managers were women. In order to accelerate the speed of change, the Government passed a new bill in favour of increasing the female quota in companies with more than 300 employees at the end of August 2015. We have had some very interesting discussions with Japanese companies who are very keen on recruiting more women to achieve a better gender balance.

The German Parliament has also adopted legislation requiring 30% of non executives on boards of German listed companies to be composed of women by January 2016.

At Ruffer we engaged with the following companies on board structure—

Mitsui Fudosan
FCB
Kinross

Re-organisation including mergers and acquisitions

One of the rights associated with our clients' shareholdings in companies is the opportunity to vote on significant mergers or acquisitions. These can be transformational even in normal circumstances. It is important for shareholders to understand and agree with the overall rationale and strategy in relation to proposed mergers and acquisitions, to appreciate the potential implications for the investment case.

In cases where a takeover is of a significant size other stakeholders in the company such as employees, Board Directors, debt holders and lenders will be involved and potentially affected. We seek to comprehend the implications for our shareholding in this context. We will also make an assessment of the operational, organisational and execution risks of the transaction when deciding how to vote if the acquisition requires approval from shareholders.

At Ruffer we have extensively engaged with the following companies on mergers and acquisitions—

Atmel	Finsbury Foods	Sony
Colt	Mattioli Woods	Recruit
Conviviality	Gloo Networks	Rakuten
Infinis	Alliance Pharma	T&D Holdings
HellermanTyton	Tokio Marine	ORIX

Indigenous rights[2]

The relationship between corporations and indigenous peoples is complex and often difficult. A company will see the potential for harnessing resources to provide revenue and profits; indigenous peoples often see the land as integral to who they are – incorporating their culture, spirituality, history, social organisation, family, food security, economy and health.

For indigenous peoples, consent as a right has special importance because of their unique, or culturally distinctive, relationship with their traditional lands and territories. Gaining consent from indigenous peoples for relevant projects at all stages of a project lifecycle can therefore be viewed as an essential aspect of respecting the human rights of indigenous peoples.

For companies, managing this balance of interests can present a significant challenge. Over recent years, oil and gas companies, mining companies and companies in the forestry sector in particular have experienced damage to their reputation that stems from conflict with indigenous peoples. Companies and their investors face potential risks and opportunities associated with operating in countries with indigenous peoples and engaging in business activities that may infringe upon indigenous land rights. Key risks include reputational risks, access to capital, damage to brand, licence to operate, and operational risks, in particular the threat of litigation and increased regulation.

At Ruffer we have engaged with the following companies in this context—

Goldcorp

Water stress

Water insecurity is already presenting parts of the corporate world with serious challenges. Growing demand for water, driven by urbanization, industrialization and economic growth, coupled with impacts on supply caused by climate change, will only compound these challenges.

The availability of water poses a strategic risk to a large and growing number of companies. Competition for scarce water resources is leading to business disruption, brand damage and the loss of the license to operate. A lack of water, or insufficient water of the right quality, can cut or even halt production. An inability to access water can constrain corporate growth.

2 United Nations Permanent Forum on Indigenous People: Considering the diversity of indigenous peoples, an official definition of ‘indigenous’ has not been adopted by any UN-system body. Instead the system has developed a modern understanding of this term based on the following: self- identification as indigenous peoples at the individual level and accepted by the community as their member; historical continuity with pre-colonial and/or pre-settler societies; strong link to territories and surrounding natural resources; distinct social, economic or political systems; distinct language, culture and beliefs; form non-dominant groups of society; resolve to maintain and reproduce their ancestral environments and systems as distinctive peoples and communities. www.un.org/esa/socdev/unpfii/documents/5session_factsheet1.pdf

Defining water stress

The CEO Water Mandate[3] defines water stress as having three core components

- water availability
- water quality
- water accessibility

Water stress refers to the ability (or lack thereof) to meet both the human and ecological demand for water. Compared to water scarcity, water stress is a broader concept as it considers several physical aspects related to water resources, including scarcity, but also water quality, environmental flows and the accessibility of water. Meaningful action to mitigate water stress, and therefore corporate water risk, requires consideration and a response to each. 'First-mover' companies have acknowledged that a comprehensive approach to tackling water stress and associated corporate risks is complex. They are learning that an effective response requires more than simply reducing the quantity of water used.

The sectors identified as being exposed to substantive water risks and most impacted by water are—

- consumer discretionary
- consumer staples
- energy
- materials
- utilities
- health care
- information technology
- industrials

We have identified higher risk companies in our portfolio and have asked them to consider how water stress will impact their direct operations as well as operations in the companies' supply chains.

Furthermore Ruffer has encouraged the companies to complete the CDP water survey.

In 2015 only one company responded to Ruffer's query. The water engagement requests were sent out in the last quarter of 2015 and we are hoping to receive explanations from the other companies contacted.

3 www. ceowatermandate.org

Engagement case studies

Q1 2015

Company	Main activity
Mitsui Fudosan	Real estate. Major Japanese property developer organised into four divisions: office building, real estate solutions, accommodation, retail properties.

Issue	Context
Independence of non-executive directors, RoE, shareholder rights plans	The company requested a follow up meeting with Ruffer.

Action taken

We met the company at our offices. The company discussed its policy on appointing non-executive directors and asked for Ruffer's feedback on recent changes especially with regards to its efforts to enhance its internal corporate governance systems. Many shareholders had expressed concerns over the lack of independence demonstrated by the non-executive directors and/or statutory auditors. The company confirmed that it now has an 'independence test' as part of its nomination process. We were interested in understanding issues surrounding the company's stance on the shareholder rights plan and Return on Equity (RoE) in light of the impending implementation of the corporate governance code. Ruffer will keep these issues under review.

Company	Main activity
The Rank Group	Gaming. The company operates gaming and betting services in Great Britain, including the Channel Islands, Spain and Belgium.

Issue	Context
Executive compensation	The company requested a consultation with regards to its newly amended remuneration policy.

Action taken

We met the Chairman of the Remuneration Committee and the Company Secretary at our offices after the company had contacted Ruffer in order to discuss changes in its remuneration policy which was followed up by a detailed engagement process. Progress was made and a number of points were included (malus claw-back, Return on Capital Employed (ROCE) underpin, longer vesting periods) in the policy, however Ruffer was not supportive of backdating the Long Term Incentive Plan (LTIP) and we therefore felt it was justified to vote against the newly proposed remuneration policy due to the shortcomings in the LTIP. The voting intentions were communicated to the company prior to the Annual General Meeting (AGM).

Company	Main activity
Safestyle	Retailer. Provider of PVC double glazed windows and doors.

Issue	Context
Executive compensation	The company requested a consultation with regards to its newly amended remuneration policy.

Action taken

The company contacted Ruffer with regards to its new remuneration policy after its Initial Public Offering (IPO) on the Alternative Investment Market (AIM). Overall we agreed with the changes proposed especially with the focus on the variable element in the compensation package, as the company's business model is heavily performance driven. We discussed the LTIP and whether the proposed earning per share (EPS) targets of 5-10% per annum are appropriately stretching. Furthermore we were interested in understanding whether a company-wide remuneration structure was planned. In addition we suggested the addition of a malus/claw-back provision to the variable aspects of remuneration package. Ruffer supported management at the AGM.

Company	Main activity
ICAP	Financial services. UK-based voice and electronic inter dealer broker and provider of post trade risk services, the largest in the world carrying out transactions for financial institutions in wholesale financial markets.
Issue	**Context**
Executive compensation	The company requested a consultation with regards to its newly amended remuneration policy.

Action taken

We met the company at our offices after the company had contacted Ruffer to discuss changes in its remuneration policy. Overall we felt comfortable with the company's move away from a bonus pool and are in support of their bonus cap. We are pleased to see that the company has changed the deferral terms for the bonus and the Performance Share Plan (PSP) are now in line with general best practice and that a proposal for transitioning has been agreed. We discussed the perceived regulatory pressures to increase fixed pay as well as the possibility of the company being caught by the new guidelines being drawn up by the European Banking Authority (EBA) under Capital Requirements Directive (CRD) IV. On the annual bonus we generally agreed with the direction of travel on the proportions under the proposed scheme but we believed these should be weighted even more towards strategic objectives. With regards to the PSP we are not yet comfortable with the overall structure. Whilst there were some elements of the existing and new schemes which are not perfect the new scheme is much better overall, has a number of improved best practice elements and removed the uncapped bonus pool. On this basis we decided to vote for the remuneration policy proposed at the July AGM 2015.

Company	Main activity
Man Group	Financial services. Alternative investment management business based in London. It provides a range of funds for institutional and private investors globally and is the world's largest publicly traded hedge fund manager.
Issue	**Context**
Executive compensation	The company requested a consultation with regards to its newly amended remuneration policy.

Action taken

We were involved in the consultation process for the remuneration policy changes via a conference call with Philip Colebatch (non-executive director and Chair of the Remuneration Committee) and Rachel Rowson (Company Secretary) in March 2015. This was in addition to 2 other engagement meetings with the company in late 2014. In previous meetings we discussed in detail whether being a public listed company inhibits the company's ability to retain and attract talent at both the board and fund manager level. The company acknowledged the issues we raised but did not feel this was a significant constraint on the business. In addition, the board acknowledged that the company had moved quickly from restructuring to a planned expansion and therefore the Deferred Executive Incentive Plan (DEIP) needed to be reset. The DEIP (maximum potential) limit rises from 350% to 700% over the next three years. This is acceptable in the context of formulaic performance targets which will be difficult to fully achieve. We expressed the view that there was too high a weighting attached to the financial targets relative to the non-financial criteria including culture and talent, particularly for the CEO. During the previous restructuring the Remuneration Committee exercised discretion to reduce awards as they felt progress had not yet been reflected in shareholder return, so we have confidence that appropriate discretion may be used in the future. The benchmarking data they showed us would position the company towards the upper end of its peer group. We had no particular objections to the pay rise of the CFO who was appointed in June 2012. Ruffer supported management at the AGM.

Company	Main activity
UK small company	Industrial technology
Issue	**Context**
Governance	Pre-emptive rights – Ruffer disagreed with the proposed issuance of share options

Action taken

The engagement with the company was conducted before the AGM in relation to Ruffer's voting intentions. Ruffer held a 6% stake in a UK listed company with leading technology for use in downstream oil and gas processing. We were asked to support a proposal to increase the share option dilution from 15% to a maximum of 25% to accommodate the remuneration package for the CEO, executive team and new hires. We were concerned the proposed arrangements did not adequately align management's and shareholders' interests. In particular our analysis showed the threshold for trigging substantial CEO remuneration, whilst reasonable at a gross return level, would result in a considerably lower return for shareholders post dilution from a capital increase and exercise of share options. We raised our concerns with the Chairman of the Board and the Chairman of the Remuneration Committee. Ultimately, having made our views on the issue clear, we approved the proposals as they had wide shareholder support and we considered it prudent to maintain a strong relationship with management and be in a position to influence future issues at an early stage.

Company	Main activity
Lockheed Martin	Defence. American global aerospace, defence, security and advanced technologies company with worldwide interests. It operates in five business segments: aeronautics, information systems and global solutions, missiles and fire control, mission systems and training, and space systems.
Issue	**Context**
Remuneration, proxy access, Dodd Frank 1502[4]	Follow up on previous engagements

Action taken

We had a call with the company which was attended by five Lockheed employees. The company still maintains that it is compliant with the Department of Defence's policy on cluster munitions and the provisions of the Convention on Cluster Munitions. It stated that most, if not all, of the service contracts would now have ceased. Our external research provider EIRIS however stated that the service contracts in relation to cluster munitions and landmines are still active. The main focus of the telephone conference however, was with regards to the company's view on the issue of 'proxy access' which has been one of the most notable early developments of the 2015 proxy season. 'Proxy access' is the right of shareholders to replace those directors who are perceived to underperform. One proposed approach to facilitate the replacement of underperforming directors is to give shareholders direct access to the company's proxy materials, including permitting the inclusion of a shareholder-proposed director nominee (or slate of nominees) and a statement in support thereof in the company's proxy statement. Ruffer currently does not hold strong views in relation to 'proxy access' especially as it is mainly in relation to US companies. We also discussed developments with regards to conflict minerals. The company said that in due course it will be publishing a report solely focusing on conflict minerals and the implementation of the Dodd Frank 1502. Finally, we discussed the changes in executive compensation which were non-controversial.

4 SEC disclosure requirement on conflict minerals – tungsten, tin, tantalum and gold are covered by the disclosure requirement.

Q2 2015

Company	Main activity
German company	Alternative energy
Issue	**Context**
Governance	Pre-emptive rights

Action taken

The engagement with the company was conducted before the AGM in relation to Ruffer's voting intentions. Ruffer is a major shareholder in this German alternative energy company. We engaged with the CEO and Chairman regarding several items proposed for voting on at the AGM. In particular we worked with management to refine proposals for raising capital. Our changes, agreed by management and subsequently voted for by us at the AGM, substantially increased shareholder protection. We also discussed the management compensation scheme with the Chairman and will input on changes for the next scheme, to be voted on at the AGM in 2016.

Company	Main activity
FCB	Financial services. American bank that operates in the US state of Florida. Provides consumer and business banking services to communities throughout Florida.
Issue	**Context**
Governance	Board composition

Action taken

Ruffer is a large shareholder in this small US regional bank. We have engaged with the CEO regarding board composition, which did not meet our internal standards. Management has agreed to reshape the Board over the coming years and we continue to be engaged on the subject.

Q3 2015

Company	Main activity
West Kirkland	Mining. Mineral exploration and development company focused on acquisition, exploration and development of gold projects in Nevada and Utah.
Issue	**Context**
Governance	Pre-emptive rights

Action taken

The engagement with this company was conducted before the AGM in relation to Ruffer's voting intentions. The Ruffer team was concerned by a recent proxy filling by the company which, if passed, might allow them to raise new resolutions at the AGM, which could be passed by the company without having been circulated to all shareholders in advance. Ruffer has expressed our concern to the company at the situation, and have spoken to the CEO. At the same time we have highlighted our concerns to another large shareholder in the company, who appeared to broadly agree with us. Ruffer voted against this resolution at the AGM in October 2015 and it was not passed.

Company	Main activity
Endeavour Mining	Mining. Intermediate gold producer delivering growth. The company owns five gold mines producing approximately 580,000 ounces per year in Cote d'Ivoire, Mali, Ghana and Burkina Faso.

Issue	Context
Governance	Remuneration

Action taken

The engagement with this gold mining company was conducted before the AGM in relation to Ruffer's voting intentions. Ruffer is concerned that the management remuneration at the company is too high and that the management incentive structure, in particular the Gold Long Term Incentive (GLTI) policy, may not be in the best interests of shareholders. The GLTI rewards management on the disposal of any asset, and may attribute up to 10% of the gain to management. The exact nature of the policy is unclear. Ruffer have engaged in various strategies to try to encourage the group to reform the management incentives. This has included a meeting with the CEO, the Chairman and then a call to discuss the details of the GLTI policy with its author. Although we have expressed our concerns, we have not made any significant progress. However this is a long term engagement strategy and we will continue to work towards our objectives. In September 2015, it was announced the company would form a strategic partnership with La Mancha, who has acquired 30% of the company by way of newly issued shares. We have therefore put our strategy on hold during this period, to see if the alliance results in any changes.

Company	Main activity
Pittards Ltd	Consumer goods. Engaged in the design, production and procurement of leather for sale to manufacturers and distributors of shoes, gloves, leather goods and sports equipment, the provision of consultancy services within the global leather industry and the retail of leather, leather goods and leather garments.

Issue	Context
Environment	Environmental concerns over operations in Ethiopia

Action taken

Engagement with the company took place pre investment. We met the company's CEO in September 2015 and discussed environmental concerns which were flagged up as part of our ESG due diligence review.
The concerns were over allegations relating to water and soil contamination. The CEO explained that the geographical location of the Pittards Ethiopian tannery means it is highly unlikely to be responsible for the water pollution in Lake Koka (due to drainage flows, the flow of water through the lake and also the location of samples taken in the study). Furthermore he stated that there are a large number of other tanneries further up the catchment area along with numerous flower growers (heavy users of fertilizer). In addition the impact on the lake occurs very intermittently and coincides with periods of higher temperatures and where there are natural peaks in algal bloom. Management attests that it is very unlikely that the Pittards tanner is responsible for this particular water pollution. We will follow-up with the company if enhanced community engagement and capacity building is necessary to build trusting relationships in the area the company is operating in in order to limit potential future allegations. We will remain engaged on this issue.

Company	Main activity
Lockheed Martin	Defence. American global aerospace, defence, security and advanced technologies company with worldwide interests. It operates in five business segments: aeronautics, information systems and global solutions, missiles and fire control, mission systems and training, and space systems.
Issue	**Context**
ESG strategy	
Action taken	

Lockheed Martin invited Ruffer to participate in a select investor and external stakeholder day to gather feedback on their approach to ESG issues. The group discussed how each of the 41 ESG issues which Lockheed had identified fared in terms of significance to the business' operations and significance to stakeholders. Bribery was the highest ranked in both measures. We stated that 41 were too many issues to concentrate on and suggested that some could be combined to create a more achievable list of commitments. We encouraged the company to extend their indicators beyond the current two year goal to look at aligning longer-term incentives with longer-term commitments to ESG issues. Lockheed's current performance indicators are 50/60% aligned with the Sustainability Accounting Standards Board. We pushed for this to improve. Furthermore, we pressed for improvements in the company's sustainability report to ensure that their disclosures consisted of relevant measurable achievements such as how many employees breached the code of ethics and how this trended over time. Management debated the difficulties of increased disclosure etc, but seemed willing to improve the quality of the measures used in their reports going forward. We also raised concerns over the company's involvement in cluster munitions again.

Q4 2015

Company	Main activity
Red 5	Mining. Australia-based company involved in the exploration and mining of gold. The company's principal asset is the Siana Gold project situated on the island of Mindanao in the Philippines.
Issue	**Context**
Governance	Remuneration
Action taken	

The engagement with the company was conducted before the AGM in relation to Ruffer's voting intentions. A number of resolutions were raised at Red 5's AGM in November 2015. The resolution in relation to the remuneration report was contentious. ISS had recommended that shareholders should vote in favour of the report, which included the incentive payments to management of Red 5. Over the year, we considered the company's operations to be poor and we felt that incentives were not in line with management's performance. We spoke to the Chairman of the company and expressed our concerns. The Chairman acknowledged our point of view and promised us more engagement in the process for next year's incentive programme. As a result of this discussion, we decided to abstain from the vote rather than voting against the remuneration report. Ruffer will continue to monitor developments with regards to the company's remuneration practices.

Company	Main activity
Goldcorp	Mining. Gold producer engaged in the acquisition, exploration, development and operation of gold properties in Canada, The US, Mexico and Central and South America. The company's principal products are gold and the by-product silver, copper, lead and zinc.
Issue	**Context**
Indigenous rights	Unrest at the company's Guatemala mine

Action taken

Ruffer took up engagement with Goldcorp following significant concerns over allegations in relation to the treatment of indigenous people in Guatemala. We sought clarification on what measures had been taken by Goldcorp to ensure that its operations meet its commitment to responsible mining and international principles, specifically the International Labour Organisation (ILO) Convention 169[5] on the rights of Indigenous and Tribal Peoples. Allegations were made in a recent ruling[6] in relation to a parallel operation to the Marlin mine which has the Los Chocoyos licence (held by Goldcorp's subsidiary Montana Exploradora de Guatemala, S.A (Marlin). Ruffer spoke to the Director, Corporate Social Responsibility, Central and South America, and she put the issues in context. Post-exploration investment on the Marlin mine started in 2008 with an investor-led visit to the mine. Due to persistent engagement from institutional investors Goldcorp decided to conduct a Human Rights Impact assessment. The assessment was finalised in 2010[7] and last updated in 2012. The company stated that issues surrounding the court case in relation to the Los Chocoyos had been triggered by five individuals. According to the company the five individuals were neither elected government representatives nor unofficial village representatives. Now Goldcorp and the government are contesting the ruling. Ruffer asked whether these individuals could disrupt operations on the ground or cause further unrest. Goldcorp responded that the main concerns were around the time when the ruling came out and that the company is currently working on specific socialisation, and on how to process the closure of the Marlin mine. The company sees one of the main problems to be the transitioning of the labour force as approximately 80% of the employees are local to the areas and do not live more than 45min away. Goldcorp has become more proactive in terms of engaging communities and institutional investors. We will continue to monitor developments with regards to the treatment of indigenous people and if necessary take up further engagement.

Company	Main activity
Kinross	Mining. Large gold mining company engaged in gold mining and related activities, including exploration and acquisition of gold-bearing properties, extraction and processing of gold-containing ore and reclamation of gold mining properties. Its activities are carried out principally in Canada, the US, the Russian Federation, Brazil, Chile, Ghana and Mauritania.
Issue	**Context**
Governance	Remuneration. Succession planning and Board Composition

Action taken

Ruffer spoke to the Executive Vice President, Chief Legal Officer, Senior Vice President, Human Resources: Vice President, Investor Relations, Director, Total Rewards at Kinross in order to review its remuneration practices and succession planning. The main aim of their succession plans is to increase overall diversity at management level over the next ten years. Ruffer noted the efforts that have been undertaken to change the compensation structure to reflect best practice within the mining sector. We will follow up on directors' share ownership and total remuneration.

5 ILO 169 protects the right of indigenous peoples to prior consultation before the government grants permits to explore or exploit natural resources. www.ilo.org

6 www.cpo.org.gt/index.php/articulos/168-guatemalan-court-rules-in-favor-of-indigenous-people A Guatemalan court ruled in favor of the indigenous people of the municipality of Sipacapa. The court says the Guatemalan government must respect the right to information and consultation with the local population before granting any kind of mining permits, according to international conventions. As a consequence the mining permit named 'Los Chocoyos' is illegal, and should be withdrawn

7 An independent human rights impact assessment (HRIA) conducted by external auditors at the request of Goldcorp shareholders in 2010 found that Montana legally obtained its licences to operate in Guatemala. But evidence suggested proper consultation did not occur before the company was granted both exploration and exploitation licences, a violation of international law.

Company	Main activity
Apple	Technology – the company designs, manufactures and markets mobile communication and media devices, personal computers, and portable digital music players, and a variety of related software, services, peripherals, networking solutions, and third-party digital content and applications.
Issue	**Context**
Environment	Water stress risk and opportunity management

Action taken

Ruffer sent an engagement request to Apple inquiring whether the company intends to complete the CDP's annual water survey. The survey and its corresponding assessment score gives an indication whether the company is managing risks and opportunities in relation to water stress. The company responded 'Protecting the environment is one of Apple's core values... For example, we are now powering 100% of our US operations and 87% of our global operations with renewable energy, and since 2011 we have reduced carbon emissions from Apple's facilities by 48%. The CDP recently recognized our climate actions with its highest possible grade of 100-A. We are also deeply committed to protecting the world's precious resources... We're constantly looking for ways to reduce water consumption during manufacturing, cooling, landscaping, and sanitation... we've implemented a number of water-saving improvements throughout our own facilities. These include creating an innovative cooling system that reuses water, resulting in a 20% reduction in overall water consumption at our Maiden, NC data centre, installing advanced irrigation systems, and planting drought-tolerant landscaping. Overall, we converted over 130,000 square feet of landscaping to be better suited to our climate and to use less water. These efforts translate to an estimated water savings of 2.3 million gallons per year. We're also focused on water use in our supply chain. We work closely with suppliers that have water-intensive processes to identify and implement measures to reduce their freshwater usage. And to prevent environmental pollution from untreated wastewater discharge, we also work with suppliers to improve and build their capacity for wastewater management. Our Clean Water Program has grown from 13 supplier facilities to 49 in 2014 — and we're continuing to add more. The Clean Water Program covers 59 billion gallons of freshwater usage per year — the equivalent of around 89,000 Olympic-size swimming pools. This amounts to approximately 50% of the total freshwater usage of our top 200 supplier facilities. As just one example, after enrolling in the program, Dongguan Leadville Circuits, located in China's Guangdong Province, increased its wastewater reuse rate from nearly 12 percent in 2013 to nearly 61 percent in 2014.' The company did not indicate whether it is planning on completing the CDP's annual water survey. Ruffer will follow-up with Apple on this issue.

Company	Main activity
UK small company	Industrial technology
Issue	**Context**
Governance	Board composition and succession planning

Action taken

Ruffer held a 4% stake in a UK listed company with innovative technology for use in downstream oil processing. The intellectual property underpinning this company came out of a leading UK university before being developed by a team of entrepreneurs. Ruffer invested when capital was raised to accelerate commercialisation of the opportunity. After engaging with this company during Q1 on executive remuneration we undertook extensive talks on strategy and succession planning in Q4. In the course of the year the company's CEO resigned and Ruffer provided input on recruiting a new CEO with sufficient industry experience to accelerate commercialisation. We reinforced our view that a technology licensing business model was preferable to a more capital intensive business model which involved providing project financing. We will continue to engage with the company.

Company	Main activity
Microsoft	Technology. Engaged in developing, licensing and supporting a range of software products and services. The company also designs and sells hardware and delivers online advertising to customers.
Issue	**Context**
Corporate governance	Executive compensation

Action taken

In 2014 we voted against Microsoft's remuneration policy. We did this after engagement with the company highlighting our concerns around the lack of specific performance measures in determining the level of annual cash bonus or equity awards. In 2015 Microsoft outlined a new remuneration policy for FY16 whereby 75% of the equity and bonus awards payable will be determined against specific and measurable targets. This is aligned with our internal pay for performance guidelines and is acceptable to us. This view was communicated directly to Microsoft during a meeting with the company at our offices in mid-November.

ESG topics in 2015

This section highlights the broader environmental, social and governance themes that have arisen during 2015 and includes updates on the briefings prepared in the 2014 ESG report.

Climate change

Climate change was an important ESG theme at Ruffer and the wider industry in 2015 with many clients enquiring about fossil fuel divestment, engagement with companies on stranded assets and a transition to a low carbon economy.

The Climate Change Summit, the 21st Conference of the Parties, or COP21 for short, brought a particular focus on the issues in 2015. After the disappointing 2009 Copenhagen[9] climate summit a number of long-term asset owners decided to conduct analyses on the risks and opportunities potentially arising in a climate stressed scenario. These efforts led to the Bank of England's Governor Mark Carney's warnings and the installation of Michael Bloomberg as head of a new global taskforce, the papal intervention 'Laudato Si', and a fast growing fossil fuel divestment campaign.

In November 2015, prior to the event in Paris, Ruffer co-hosted a breakfast seminar in conjunction with oekom research[10] and GES[11] at our offices. At this event, Ruffer clients, asset managers, research and engagement providers and climate change experts outlined how they assess, consider and address climate risks, by utilising relevant ESG data and metrics, investing in assets such as renewable energy, engaging with companies to reduce their greenhouse gas emissions or by persuading regulators to require corporate disclosure of the business impacts of climate change, in order to reach the levels needed to achieve a global low-carbon economy. We were fortunate to secure an interesting and knowledgeable panel with Edward Mason, Head of Responsible Investment at the Church Commissioners for England, representing a large asset owner, Mark Campanale, the Founder of Carbon Tracker Initiative, Flemming Hedén, the Senior Engagement Officer for Fossil Fuel companies at GES, and Kristina Rüter, the Research Director at oekom Research AG responsible for its Carbon Footprinting Tool. The opening statements from the panel started an open and lively debate amongst the 70 attendees.

9 There were widely held expectations that the Copenhagen summit (COP15) would produce a new legally binding treaty but negotiations ended in deadlock and the resulting Copenhagen Accord is not legally enforceable.

10 oekom research is a ESG research provider. It analyses companies and countries with regard to their environmental, social and governance performance.

11 GES stands for Global Engagement Service; it provides ESG Integration Solutions to asset owners and asset managers that have a desire to develop their capabilities to help them integrate Environmental, Social and Governance (ESG) considerations into their own investment management processes.

Key themes of our discussions were

- the investment risks posed by climate change
- how asset owners can integrate climate change into their investment mandates
- the need for dialogue between asset owners and investment managers on climate change
- tools investment managers can use to integrate climate risk analysis into their investment process, such as carbon footprinting and carbon risk engagement
- how to address climate change as part of overall corporate engagement strategy
- outcome-focussed engagement and clear internal policy frameworks as effective ways to approach carbon intensive companies and sectors
- how investor action can drive transformational change through initiatives such Aiming for A

The climate deal struck in Paris sets an ambitious goal of limiting the temperature rise well below 2 degrees Celsius, and even to seek to limit warming to 1.5 degrees. Whilst the key elements of legally binding country emission reduction targets appeared to be missing, countries agreed to submit five-year updates on their emissions reduction pledges and to establish a framework for monitoring, measuring and verifying emissions reductions. The spotlight will now shift to the implications for domestic politics – and to industry. Edward Mason summed up the results of the summit as 'the Paris Agreement was an extraordinary diplomatic achievement. Implementing it will be an equally extraordinary and yet more unprecedented feat. It requires all of us to recognise the new era and to play our part.'[12]

Much time has been focussed on the downside risks in relation to climate change, but there are also opportunities for investors to benefit from developments in clean and renewable energy.

Aiming for A[13]

Shareholder proposals are an effective method of highlighting issues and encouraging change.

We supported the Aiming for A resolutions, entitled Strategic Resilience for 2035 and Beyond at the BP and Shell AGMs in spring 2015.

Both BP and Shell recommended that shareholders back the resolutions and they were passed with over 98% support.

The resolutions are intended to encourage companies to demonstrate good strategic carbon management by attaining (and maintaining) inclusion in CDP's Climate A List. The A List recognizes companies that have led the way in actions to reduce emissions and mitigate

12 www.responsible-investor.com/home/article/edward_mason_cop21

13 The 'A' within 'Aiming for A' refers to the best A-E CDP (formerly the Carbon Disclosure Project) Performance Band. Within the performance banding methodology considerable weight is given to operational emissions management, alongside strategic and governance issues like those covered in the resolutions.

climate change in the past CDP reporting year. The shareholder resolutions are intended to challenge the companies to run their businesses so that they participate constructively in the transition to a low carbon economy. The resolutions are supportive, but stretching. Both BP and Shell supported the shareholder resolutions in 2015.

At Ruffer we are supportive of the Aiming for A initiative that is redefining how investors and companies can work together to accelerate the transition to a low carbon economy. In December 2015, we decided to co-file a similar shareholder resolution at the Rio Tinto AGM in May 2016, for holdings in the common investment fund we manage. We co-filed the resolution together with over 100 investors in the Aiming for A coalition.[14]

The resolution includes similar commitments to reducing operational carbon emissions, maintaining a portfolio of assets resilient to future energy scenarios, and supporting low-carbon energy research and development.

The resolution is similar to those filed by Aiming for A at the BP and Shell AGMs in 2015.

Japan update

Our positive stance toward Japanese equities is based on the fact that the domestic corporate sector has completed its long process of deleveraging and restructuring. Japanese companies' balance sheets are healthy and strong, and they are now benefiting not only from the depreciation of the Japanese yen against major currencies but also from lower breakeven points and improved operational efficiencies. In line with our investment focus we have followed the recent changes in corporate governance in Japan closely.

Members of Ruffer's research team visit Japan for approximately eight weeks each year and continue to observe improvements in governance and environmental issues.

One company which has shown tremendous improvement in the ESG areas is Sony. Japanese equity analyst Tristan Matthews covers the positive developments at company level in the following section.

As described in detail last year's ESG report, 2014 saw the launch of the JPX-Nikkei Index 400 and the introduction of the Japanese Stewardship Code. The aim was to encourage more efficient use of capital and persuade companies to either invest or return capital to boost return on equity (RoE).

14 www.lapfforum.org/news/files/AimingforAcofilergrid.pdf

In August 2015 Ruffer signed and responded to the Japanese Stewardship Code. Ruffer's response can be found on our website. As of 12 December 2015, there were 201 domestic and international signatories to the Stewardship Code. The speed at which the Stewardship Code has found new signatories is a clear sign of domestic and foreign investors embracing the corporate governance changes.

In June 2015, the Financial Services Agency implemented a Governance Code which represents an even more robust governance structure for Japanese corporations. The Governance Code is based on a 'comply or explain' approach. The Tokyo Stock Exchange (TSE) has incorporated the Code into its Securities Listing Rules.

The TSE stated[15] that as of the end of December 2015, 2,487 companies submitted Corporate Governance reports with a statement of 'comply or explain' in line with the Code. Approximately 80% of listed companies in the First and Second Sections comply with more than 90% of the Code Principles. The areas with the highest percentage of explanations were Board evaluation and disclosure of summary (63.6%), electronic voting/English AGM notices (55.9%), two or more independent directors (42.5%) and remuneration reflecting mid-to-long term growth (30.7%). Less than a third of companies had to explain on the issues of 'involvement and advice from independent directors on remuneration and nomination issues', disclosure on corporate governance and the provision of English language disclosures.

The main reasons for non-compliance were as follows. Approximately 30% indicated their intention to comply in the future. Circa 45% stated that they have yet to decide whether to comply or not. And another 25% had no plan to comply due to company-specific circumstances or alternative measures to be taken.

Other areas of positive progress can be seen in more companies appointing independent non-executive directors (87% of TOPIX companies in 2015). In addition city and regional banks, insurance companies and other businesses have been unwinding cross-shareholdings and we expect this trend to accelerate.[16]

We met the TSE in early 2016 and the general sentiment was again very positive. With the combined support of the government, TSE and the Nikkei (the leading financial media company) significant changes continue to be implemented.

15 www.jpx.co.jp/english/news/1020/20160120-01.html
16 JPX. Corporate Governance 2016 — Long-Awaited Change Companies to Japan, presentation February 2016

ESG company case studies

The following section highlights some of the companies which Ruffer holds and we believe represent best practice across a number of ESG issues.

John Keells Group

Analyst – Mary McBain

After graduating from Oxford University in 1985, Mary started work at Invesco MIM as a fund manager on the Asian team. After leaving Invesco in 1990, she spent many years living and working in Asia, for GK Goh Securities, Apollo Investment Management and Ballingal Investment Advisors. She joined Ruffer in 2006 and is a senior analyst and manager of the CF Ruffer Pacific Fund.

Company overview

John Keells Group is a 140-year-old Sri Lankan conglomerate with a presence in virtually every sector and is consequently viewed as a reasonable proxy for the local economy. It is involved in most areas of the Sri Lankan economy including tourism (hotels), property, retail, supermarkets, soft drinks and ice cream. As such it provides access to the growth and modernisation of the Sri Lankan economy as well as the expected rapid recovery of the tourist industry after the ending of the civil war.

Sri Lanka

For many years following its independence from the UK in 1948, Sri Lanka was considered a model of democracy in the Third World. Despite having one of the world's lowest per capita incomes, Sri Lanka had a nascent but thriving free-market economy that supported one of the most extensive and respected educational systems among developing countries.[17] In 1983 the country descended into conflict between the Sinhalese majority government and the separatist group Liberation Tigers of Tamil Eelam (LTTE). The conflict lasted until its formal end in 2009, affecting all of Sri Lanka but particularly devastating the northern and eastern areas of the country and displacing an estimated 300,000 people. The end of violence brought both peace and a renewed interest in foreign direct investment (FDI). Tourism has since become one of the country's biggest draws in terms of foreign investment and is quickly becoming its premier industry.

The company has been disclosed on factsheets as one of the CF Ruffer Pacific Fund's largest holdings.

17 Library of Congress: A Country Study: Sri Lanka

ESG

The Group has a dedicated Sustainability Committee and believes that sound corporate governance feeds into financial performance, a superior service and a more productive workforce. On its website the company describes its sustainability management framework which encompasses both a top-down and bottom-up approach. This includes strategies for entrenchment of sustainability, the organisational structure, reporting and benchmarking, awareness creation and sustainability assurance. The Group has a robust Corporate Social Responsibility (CSR) structure with oversight from the Group Executive Committee and the Group Sustainability Committee, while Task Groups for each aspect are headed by a member of the Group Operating Committee. Additionally, each Business Unit has a dedicated Champion responsible for sustainability initiatives and the overall sustainability performance, under the overall supervision of their respective Sector Heads and Heads of Business Units.

Each business division sets sustainability initiatives and green projects in their annual objectives. In 2015, John Keells also initiated a strategy to integrate its sustainability policy across their supply chain. The company has carried out analysis of all its suppliers, and new partners are reviewed in this context, to try to entrench their ESG policies throughout their value chain and more widely across Sri Lanka.

The company supports the local economy through procurement and employment whilst carrying out operations with minimal impact on natural resources. All the underlying divisions are encouraged to seek out renewable sources of energy, install energy and water efficient equipment and minimise wastage wherever possible. The company ensures safe and high quality products and services are delivered in an environmentally and socially responsible manner using predominantly local raw materials and domestic service providers, which also reduces their dependence on foreign imports.

Their carbon footprint per one million rupees of revenues decreased by 2% in 2015 (to 0.82 metric tonnes). Employee satisfaction levels are regularly assessed and personal development is ongoing. The John Keells Group places the highest value on ethical practices and has a zero tolerance policy towards corruption and bribery in all its transactions. The John Keells Foundation invests in the local community, infrastructure, health and education spending circa Rs58m in 2015.

Sony

Analyst – Tristan Matthews

Tristan Matthews joined Ruffer in 2009 after graduating with an Economics degree from the University of Cambridge. He worked with a portfolio manager for three years in Ruffer's fund management department. Following this, Tristan worked as an equity analyst in the firm's Hong Kong office. Since early 2013 he has been an equity analyst focussing on Japanese equity. He is a CFA charterholder.

Company overview

Sony is a diversified global electronics company with gaming, entertainment and financial services businesses. The company was founded by Masaru Ibuka and Akio Morita in 1946 with under $1,000 in capital and eight employees. Through innovation, manufacturing know-how ('monozukuri') and strategic acquisitions the company has grown to a $27bn market capitalisation with around 130,000 employees.

Significant global changes in consumer and professional electronics technology, content and services mean large multinationals must react and innovate to remain successful and expand. Sony struggled following the bursting of the technology, media and telecommunications (TMT) bubble in 2000. The company was initially slow to react but began significant restructuring in 2003 which has taken a decade to gain traction.

ESG

Sony is generally regarded as a positive example of a multinational taking an active role with respect to CSR. The UK based not-for-profit CDP gave Sony the highest rating for its performance in climate change mitigation strategies and for its transparent information disclosure in this area. The company's approach is pleasing from an investment point of view as reducing the energy consumption of its products and curbing factory emissions can reduce costs.

In June 2015 Sony launched its new Green Management 2020 targets which the company sees as a further stepping stone to a 'zero environmental footprint by 2050'. From 2013 to 2020 Sony aims to reduce the annual energy consumption of its products by 30% and lower greenhouse gas emissions across all sites by 5% versus 2015. Sony incentivises senior management and heads of business units with monetary and non-monetary rewards achieved through meeting emissions and energy reduction targets.

Sony first released an environmental report in 1994 illustrating it has been a leader in addressing CSR. The company continues to submit full responses to the CDP on climate change, water supply and its supply chain. Sony has identified corporate governance, human resources, responsible sourcing, quality and services, environment, compliance and community engagement as the key focus areas in its CSR efforts and has a clear organisational structure in place that should ensure the company maintains its progress.

Canadian Solar

Analyst – Alex Barnett

Alex Barnett joined Ruffer as an equity analyst in 2013. Prior to Ruffer Alex worked at Jefferies for 7 years as a European equity analyst covering industrials and small/mid-caps and prior to that he worked in Canada in both investment banking and equity research covering a broad range of sectors including biotechnology, mining and technology.
Alex graduated with a degree in commerce from the University of Toronto and is a CFA charterholder.

Company overview

Canadian Solar is one of the largest global producers of solar panels and also a leading solar energy project developer. The company is vertically integrated – transforming raw polysilicon produced by third parties into solar modules and in many cases to finished renewable energy power plants. The company has approximately 10,000 employees, manufacturing facilities in Canada, China and Vietnam, and its solar panels have been installed in around 100 countries.

Canadian Solar has been able to weather a sustained period of intense competition and policy uncertainty and is now poised to thrive as the solar industry matures. After a decade of turmoil, the solar industry today is in rude health, with supportive and stable government policy in key end markets combined with rapidly falling solar panel prices, which are driving a proliferation of solar power. At the same time, competitive dynamics in the industry have improved, with the leaders leveraging scale to extend their cost advantages and finally creating some barriers to entry.

ESG

Canadian Solar's corporate mission is to be instrumental in the global transition to renewable energy from fossil fuels. By being at the vanguard of the solar industry and driving reductions in solar panel prices the company is helping make the transition away from polluting electricity sources possible. Since its founding the company has shipped approximately 14gw of solar panels – which over their lifetime are expected to reduce CO2 emissions otherwise generated by a basket of fossil fuel generated electricity sources by the same amount as eliminating air pollution from more than one million cars.[18]

Beyond the direct environmental benefits from the use of its core product, Canadian Solar also has broader organizational aims to combine socially responsible business practices with stable profits and responsible operations. Canadian Solar uses significant raw materials, water and power in its manufacturing processes and the company has clear goals for more efficient use of these inputs. Water recycling has reached 59% versus 31% in 2012, CO2/kw produced has been reduced by 35% since 2012, shipping of materials has been significantly reduced and the company has been active in designing a recycling program for used solar modules.

Overall the company shows high environmental awareness, has external monitoring and certification of its environmental processes, and exhibits best practice amongst its module manufacturing peers.

The company also has active community support and diversity programs, strict policies against using child labour or conflict minerals and a strong health and safety record.

18 Canadian Solar 2015 sustainability report

Acronyms

AGM	Annual General Meeting
AIM	Alternative Investment Market
CDP	formerly the Carbon Disclosure Project now CDP
CRD	Capital Requirements Directive
CSR	Corporate Social Responsibility
DEIP	Deferred Executive Incentive Plan
EBA	European Banking Authority
EPS	Earning Per Share
ESG	Environmental, Social and Governance
GLTI	Gold Long Term Incentive
ILO	International Labour Organisation
IPO	Initial Public Offering
KPI	Key Performance Indicators
M&A	Mergers and Acquisitions
LTIP	Long Term Incentive Plan
PRI	Principles of Responsible Investment
PSP	Performance Share Plan
ROCE	Return on Capital Employed
ROE	Return on Equity

Environmental, social and governance policy

Ruffer's aim is to preserve its clients' funds and generate consistent positive returns. We define our approach through two investment aims: not to lose money in any rolling twelve-month period; and to grow the funds at a higher rate, after fees, than the Bank of England's Bank Rate. If we can achieve these objectives over the medium term we hope to surpass any reasonable 'inflation plus' target. We hope to do better than the average returns from the stock market, and with much lower volatility and risk. This document describes how Ruffer exercises the rights and responsibilities attaching to equity securities in which clients' assets are invested. On behalf of its clients, Ruffer has share ownership rights and exercising these rights, through company engagement and proxy voting, is part of our role in managing, protecting and enhancing the value of our clients' investments. This policy aims to provide a pragmatic framework through which Ruffer can

- monitor companies in which it invests for its clients
- intervene with those companies, when necessary, on issues that are likely to impact the economic interest Ruffer's clients hold through their investments

The policy is also intended to be sufficiently wide-ranging to reflect Ruffer's global approach to investment with the aim of implementing it consistently across all markets in which Ruffer invests for clients. Ruffer supports the principles of the UK Stewardship Code and has responded accordingly in its statement on the Code (available separately from Ruffer or www.ruffer.co.uk).

Monitoring and analysis

Ruffer's Research team recommend which companies Ruffer should invest in on behalf of its clients and conducts ongoing monitoring on these investments, Monitoring includes study of company statements and third party reports. Ruffer is also able to engage the board and senior management of investee companies directly, usually in 'one-to-one' meetings at Ruffer's or the company's offices. Monitoring is oriented towards identifying potential problems at an early stage in order to minimise any loss of shareholder value by Ruffer's clients.

Engagement

Engagement with companies is part of our fundamental approach to the investment process as an active investor. It has the advantage of enhancing communication and understanding between companies and investors. When engaging with companies our purpose is either to improve our understanding or, where necessary, to seek change that will protect and enhance the value of investments for which we are responsible. When an issue is identified, Ruffer will usually raise it directly with the board or senior management of the investee company. On occasions, engagement will be directed through a company's corporate social responsibility or responsible investment department. Performance issues might be raised at one-to-one meetings with senior management, whereas governance issues might be more appropriately raised in separate meetings. These could be with executive or non-executive members of the board, as appropriate. Where it makes intervention more effective, Ruffer may engage with other shareholders in the investee company, either to decide or implement a course of intervention.

Environmental, Social and Governance (ESG) considerations

Where ESG issues are pertinent to an investment decision they are considered alongside other relevant factors in the company research undertaken by analysts on Ruffer's research team. The team has over 25 research analysts, each focussed on fully understanding companies in their universe. The depth of knowledge and understanding afforded by this focus provides insight into any relevant ESG issue. The fact that Ruffer overwhelmingly uses direct equity investments rather than third party funds is clearly a major aid in this respect, as is the fact that Ruffer employs an un-benchmarked approach to stock selection, resulting in reasonably concentrated equity selections. Ruffer has employed a manager in the investment team who solely focuses on issues in relation to responsible investment. Additionally Ruffer subscribes to a specialist ESG research provider.

Stewardship and voting

It is Ruffer's policy to vote on AGM or EGM resolutions and corporate actions where at least one of the following materiality tests is met (unless voting is not in clients' best interests or where, after due consideration, not casting its vote is the preferred course of action).

— Ruffer's clients have a material interest in the company
— the value of the holding is material to Ruffer's clients

Ruffer applies this policy across all equities held, both domestic and international, reflecting the global nature of its investment approach. Ruffer may vote in other circumstances if it deems it appropriate to do so. Ruffer's process for lodging proxy votes ensures all instructions are scrutinised by senior investment staff before submission. Where necessary, particularly contentious issues can be escalated to a member of Ruffer's Executive Committee for approval. Ruffer has access to proxy voting research to assist in its assessment of company resolutions and identification of contentious issues, but all voting decisions are made by Ruffer according to its judgement of the best interests of its clients. It is not Ruffer's policy to disclose publicly its voting records nor to disclose publicly its holdings (except where required to do so for regulatory purposes).

Ethical restrictions

Where clients wish to impose restrictions on certain types of investment (eg alcohol, tobacco, armaments) the restrictions will be considered and agreed as appropriate. Ruffer subscribes to and uses software provided by EIRIS, a research organisation for environmental, social and governance data, where appropriate, to screen companies to ensure their activities are consistent with clients' specific investment restrictions.

About Ruffer

Who we are

Ruffer is a privately-owned investment management firm. We currently manage over £18 billion for pension funds, charities, companies and private clients, and employ over 200 people, with offices in London, Edinburgh and Hong Kong. We have a single investment strategy that has followed the same tried and tested investment approach since the firm started in 1994.

Our investment objectives

Our goal is to deliver consistent positive returns, regardless of how the financial markets perform. We define this through two investment aims

— not to lose money in any rolling twelve-month period
— to grow funds at a higher rate than would be achieved by depositing them in cash

Since Ruffer started, this approach has produced returns ahead of equity markets, but with much lower volatility and risk. Over shorter time periods, if equity markets are rising, our returns are likely to be lower than those of equity indices, since we will always hold protective assets as well.

Although these are our aims there is always the chance that we may lose money because of the nature of the investments involved and it is possible that individual constituents of the portfolio lose all their value.

How we invest

Ruffer portfolios are predominantly invested in conventional assets, such as equities, bonds, collective investment schemes, commodities and currencies; we also will make use of derivatives.

At the heart of our investment approach is an asset allocation which always maintains a balance of growth and protective investments. Protective assets, such as bonds, should perform well in a market downturn and defend the portfolio value; those in growth, principally equities, should deliver good returns in favourable market conditions. This blend of offsetting investments reflects the prevailing risks and opportunities that we see in financial markets, rather than any pre-determined allocation. We operate without the constraints of benchmarks that institutional investors have historically been tied to.

The asset allocation is fulfilled through specific stock selections. We invest only in companies that reflect the themes we seek to benefit from in portfolios. We never simply invest in a stock market index.

Our investment team

Ruffer's investment team and strategy are led by Jonathan Ruffer (Chairman) and Henry Maxey (Chief Executive). They are supported by a Research Team of over 30 analysts, focussing on economic and market trends, company analysis and developing investment ideas. These are used by portfolio managers on the Fund Management Team to construct portfolios in line with the investment strategy. The average experience of Ruffer's investment team is over 15 years.

Franziska Jahn-Madell

Manager – Responsible Investment

Joined Ruffer in 2014 after working for ten years at EIRIS, a research provider for environmental, social and governance performance, in several positions. Her last role as a Principal Research Analyst at EIRIS mainly focussed on Corporate Governance issues and criteria development. From 1999-2003 she worked at the Moral Theology department at Frankfurt University for the Business Ethics Chair. In 2003 she graduated from Frankfurt University with an MA (distinction) in Theology and an MA (distinction) in Literature.

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