RUFFER

Stewardship Report

FOR THE YEAR ENDING 31 DECEMBER 2020

About Ruffer

Ruffer looks after investments for private clients, financial planners, institutions, pension plans and charities, in the UK and internationally.

Our aim is to deliver positive returns, whatever happens in financial markets.

To invest well, we need to take on risk. With risk comes responsibility. Our preoccupation is with not losing money, rather than charging headlong for growth. It's by putting safety first that we have made excellent returns for our clients. Through boom and bust. For over 25 years. If we keep doing our job well, we will protect our clients' capital – and increase its real value substantially.

In all we do, we seek to be responsible investors, fully integrating environmental, social and corporate governance (ESG) issues into our investment process.

Ruffer has been climate neutral since 2017. We are signatories and supporters of

For more on what we do and how we do it, please visit ruffer.co.uk

STEWARDSHIP REPORT

Foreword

OUR PURPOSE IS TO PROVIDE INVESTMENT PERFORMANCE AND SERVICE THAT PUT CLIENTS FIRST. Being good stewards of our clients' assets is at the very heart of this.

The 2020 UK Stewardship Code sets high standards for investment managers, and I am pleased to present Ruffer's response, including our commitment to robust integration of ESG considerations and effective stewardship.

This report highlights the depth and breadth of our stewardship activities. Our focus on engaging directly with company management has afforded us a deeper understanding of the companies in which our clients are invested. Whether it's managing natural resources, championing indigenous rights or succession planning in a centuries-old financial institution, our approach is thoughtful, considered and bold where necessary.

The past year has challenged all of us, but our commitment to investing responsibly for the long-term benefit of our clients has remained a top priority.

CLEMMIE VAUGHAN
Chief Executive

UK Stewardship Code 2020

UK STEWARDSHIP CODE 2020	PRINCIPLE	PAGE
Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.	1	6, 7, 8
Signatories' governance, resources and incentives support stewardship.	2	7, 83, 84, 86
Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.	3	87
Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.	4	13, 27, 31, 41, 45, 49, 53
Signatories review their policies, assure their processes and assess the effectiveness of their activities.	5	11, 85
Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.	6	8
Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.	7	7, 13, 19
Signatories monitor and hold to account managers and/or service providers.	8	13, 86
Signatories engage with issuers to maintain or enhance the value of assets.	9	13, 23, 32, 36, 38, 39, 40, 41, 42, 44, 45, 46, 48, 50, 51, 52, 54, 55, 56, 57, 58, 59
Signatories, where necessary, participate in collaborative engagement to influence issuers.	10	13, 23, 25, 32, 34, 36, 45, 59
Signatories, where necessary, escalate stewardship activities to influence issuers.	11	26, 36, 65, 72, 75, 78, 79
Signatories actively exercise their rights and responsibilities.	12	8, 13, 26, 65-67, 72, 75-82

Our symbols are used throughout the document to demonstrate each principle, for more information about the UK Stewardship Code, please visit frc.org.uk/investors/uk-stewardship-code

Purposeful investing

1 2 5 6 7 12

OUR PURPOSE 1

OUR AIM IS TO DELIVER CONSISTENT POSITIVE RETURNS – WHATEVER HAPPENS IN THE FINANCIAL MARKETS. Preserving our clients' capital has been the core purpose of Ruffer since the business was set up by Jonathan Ruffer in 1994. We define this purpose through our two investment objectives, which have remained unchanged for over 25 years

- not to lose money in any 12-month period
- to grow the value of our clients' assets over the long-term, outpacing the alternative of placing cash on deposit

The business is committed to delivering investment performance that puts clients first. This client service mentality informs everything we do. To ensure the incentives of those working at Ruffer are aligned with our clients, the business is structured as a partnership, with partners from across all departments.

WHY STEWARDSHIP MATTERS AT RUFFER 1

We believe stewardship activities can lead to lasting and meaningful change, resulting in better long-term outcomes for our clients and for broader stakeholders, the environment and society.

At Ruffer, we are committed to being good stewards of our clients' assets. To that end, environmental, social and governance (ESG) issues are fully integrated into our investment process.

Whether it is climate change or indigenous rights, diversity and inclusion or workforce safety, we believe our considered approach helps us make better investment decisions.

In our view, this approach will lead to better long-term performance for our clients, whilst also benefiting the companies we invest in, the environment and society.

At Ruffer, we endorse the Financial Reporting Council's updated and extended definition of stewardship as "the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society."[1]

1 2020 UK Stewardship Code, p4

HOW RUFFER SUPPORTS EFFECTIVE STEWARDSHIP

Stewardship activities are carried out by members of the responsible investment and research teams and by ESG champions.

Ruffer has a sizeable in-house research team, with over 30 analysts (both macro and micro), a Responsible Investment team and more than a dozen ESG champions throughout the business. The ESG champions from our research and portfolio management teams support our specialist responsible investment team in conducting both ESG analysis and stewardship activities. Ruffer has a collaborative research process, with ESG analysis discussed in stock review meetings alongside the fundamental analysis conducted by the Research team. More details of this can be found in the research methodology section on page 12.

Our ESG analysis informs how we conduct our stewardship activities. What we choose to do is decided by the Responsible Investment team and ESG champions in partnership with the research analysts. This is an important part of the process as it ensures that the progress of our engagement and voting activities is incorporated into our investment theses on companies. This subsequently informs our investment decision-making.

> "We believe that stewardship activities can lead to lasting and meaningful change, resulting in better long-term outcomes for our clients and for broader stakeholders, the environment and society."

After a strategic review of our approach to responsible investment in 2020, we have strengthened the governance of ESG integration and our stewardship approach. More details on this can be found in the How we govern responsible investment and stewardship section on page 83.

HOW WE ADDRESS THE NEEDS OF OUR CLIENTS 1 6 12

Client service is at the heart of what we do at Ruffer. We provide responsible investment and stewardship reports quarterly, along with bespoke reporting to meet the needs of our clients.

Ruffer's clients range from private clients to charities and pension funds, with the majority of our clients based in Europe. The breakdown of our assets under management by client type is shown below.

Our investment beliefs derive from a recognition of our fallibility. We construct portfolios designed to perform in a range of market conditions – we would rather be roughly right than precisely wrong. Our clients put enormous trust in us; we see it as our duty to serve their best interests. Among other things, this involves shouldering risk, being open about mistakes and being transparent about what can go wrong.

Ruffer is an active investment manager and has adopted an absolute return strategy to deliver on our objectives. Protective assets are held alongside growth assets, with the proportions changing depending on our market outlook. We look to construct all-weather portfolios, which protect our clients' assets from the clouds on the horizon. The growth assets are typically equities. The protective assets are usually a combination of conventional and inflation-linked bonds, currencies, commodities and derivatives. When the market sun shines, we expect our growth assets to

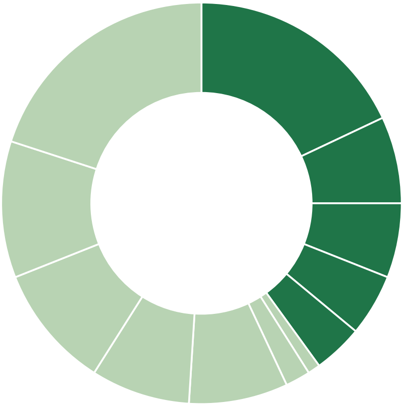
Assets under management, December 2020 (£21.0 billion)

	£M	%
PENSION FUNDS	9,474	45
PRIVATE CLIENTS	5,996	28
OTHER INSTITUTIONAL	2,149	10
RETAIL	1,845	9
CHARITIES	1,575	8

prosper. When a market storm hits, our protective assets should provide shelter, defending the portfolio from a downturn. We try to remove any need for market timing by always maintaining a balance of offsetting investments in protection and growth. Due to shorter-term volatility, current and potential clients should consider an investment period of at least two years and we encourage our clients to judge performance over a market cycle, which means taking a long-term view.

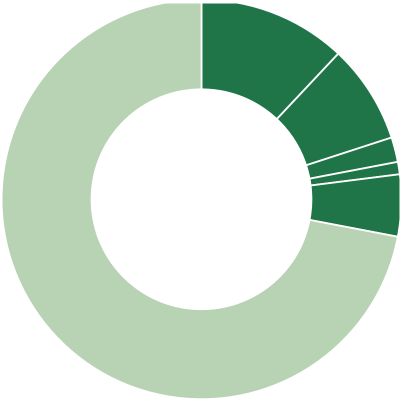
Our portfolio structure changes depending on our assessment of the market outlook, as we alter the proportion of protective and growth assets. Our asset and currency allocations at the end of 2020 are shown below.

Asset allocation, December 2020



	%
NON-UK INDEX-LINKED	20
UK INDEX-LINKED GILTS	11
ILLIQUID STRATEGIES	10
GOLD INVESTMENTS	8
CASH	8
OPTIONS	2
FIXED INTEREST	1
	%
UK EQUITIES	18
JAPAN EQUITIES	7
EUROPE EQUITIES	6
NORTH AMERICA EQUITIES	5
ASIA EX JAPAN EQUITIES	4

Currency allocation, December 2020



	%
STERLING	72
US DOLLAR	12
GOLD	8
YEN	2
EURO	1
OTHER	5

As a discretionary investment manager, we take investment decisions for our clients. We conduct stewardship activities on their behalf, as we believe this is part of our responsibility, and also enables us to make better investment decisions.

We record our stewardship activities in a quarterly report available at ruffer.co.uk/responsible-investing. A summary of these activities is included in our Quarterly Responsible Investment Report, which is sent to all clients, alongside a portfolio update and valuation. We greatly value feedback from clients and other stakeholders, and we incorporate their suggestions in our process.

We can also conduct stewardship activities on specific topics at the request of clients and we provide bespoke reporting on a quarterly or annual basis to best meet the needs of our clients. We provide more details on client-specific voting activities in the Why voting makes a difference section on page 65.

ETHICAL INVESTMENT RESTRICTIONS

Ruffer offers clients the opportunity to incorporate their values and beliefs into our investment approach. We have been managing portfolios with bespoke ethical investment policies since 2006. One advantage of a segregated portfolio is the transparency it provides, reassuring our clients that we are investing in line with their ethical investment restrictions. We use a third party ethical screening and research provider, which offers a wide range of exclusion criteria to ensure our clients' preferences are met. Sometimes, it is not possible to incorporate certain ethical investment restrictions whilst constructing a portfolio which will deliver on Ruffer's two investment objectives. In such cases, we will work with the client to find a solution that meets their needs.

"Ruffer offers clients the opportunity to incorporate their values and beliefs into our investment approach. We have been managing portfolios with bespoke ethical investment policies since 2006."

Our priorities for 2021

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We will continue to evolve and improve our approach to responsible investment and stewardship.

In 2021, we will target the following areas

1. Publishing our first Task Force on Climate-related Financial Disclosures (TCFD) report after Ruffer became a supporter in May 2019
2. Integrating climate change risks and scenario analysis into Ruffer's risk management processes
3. Widening the scope of our engagement activities to ensure a consistent approach to stewardship
4. Further integrating the Sustainability Accounting Standards Board (SASB) criteria into our ESG and fundamental analysis, while also building out the due diligence requirements for our specialist funds
5. Revising and enhancing our internal voting guidelines to incorporate the expectations of our clients and market norms

Collaborative integration 4 7 8 9 10 12

ESG INTEGRATION IN OUR INVESTMENT PROCESS 7

Our process strictly incorporates ESG considerations at every stage.

Ruffer has one investment approach. We actively manage investments, mainly in conventional assets, and operate freely, without restrictive benchmarks. In all we do, we seek to be responsible investors, fully integrating ESG considerations into our investment process across all our client portfolios and flagship funds. Ruffer demonstrated this commitment to ESG integration by becoming a signatory to the Principles for Responsible Investment (PRI) in January 2016.

We believe investing responsibly will lead to better long-term performance for our clients. For us as an investment manager with a relatively concentrated portfolio of equity holdings, ESG considerations represent both sources of value and investment risks. Therefore, fully incorporating these risks and opportunities into our investment approach is an essential part of our responsibility to our clients. As we have one investment approach and conduct our own research, it has been possible to systematically integrate these considerations across our investment process.

In 2020, we were delighted to maintain our A+ score from the PRI for strategy and governance and our A scores in listed equity incorporation and active ownership.

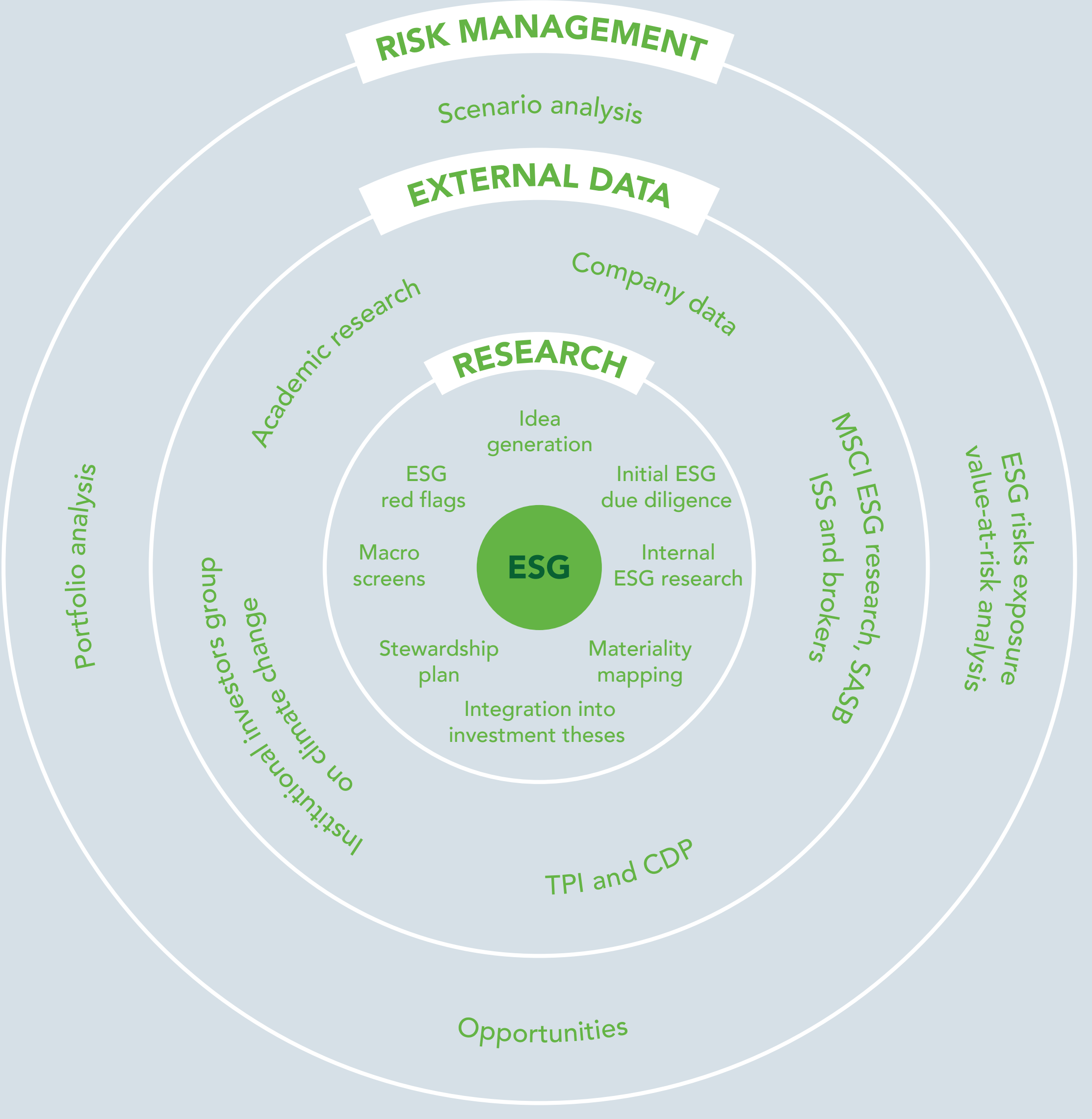
RESEARCH METHODOLOGY

Our decision to invest in companies is based on both fundamental and ESG analysis. An ESG representative, either a member of the Responsible Investment team or an ESG champion, is assigned to conduct ESG analysis on a company. This analysis incorporates a range of qualitative and quantitative considerations from internal and external research and data sources. We analyse relevant company information such as annual and sustainability reports. We also use MSCI ESG Research and other relevant external sources, such as the Sustainability Accounting Standards Board (SASB), the Transition Pathway Initiative (TPI) and CDP. Additionally, we receive proxy voting research from Institutional Shareholder Services (ISS). When drawing on third party data providers, we use the underlying ESG criteria, rather than aggregated ESG scores, to determine the materiality of the ESG risks and opportunities for a particular company.

We acknowledge that, in some instances, quantifying risks or opportunities may not be possible, so a qualitative assessment is more appropriate. We are continuing to evolve this area of our ESG analysis. Our ESG representatives work with

OUR FRAMEWORK

ESG INTEGRATION



research analysts to assess the significance and time horizon of the ESG risks and opportunities identified. Other ESG risks are also discussed and considered in the process, including those deemed non-material at the time of investment but which may become material in the future. An example of this is climate change risks: we acknowledge the time horizon may exceed our investment timeframe.

Our internal ESG analysis methodology is designed to examine the risks and opportunities of each company separately. We also explore industry-specific trends or themes, such as potential regulatory headwinds or how a company compares to industry best practice.

At the macro-economic level our Responsible Investment team works closely with our research analysts to identify risks and opportunities on long-term developments such as climate change, water scarcity and technological changes. These trends are particularly important in certain sector discussions, such as energy and automobiles.

We do not consider a prescriptive list of specific measures when analysing a company, and some considerations will have more emphasis depending on the company under review. Moreover, because we consider companies holistically in our ESG approach, some measures may be deemed to overlap ESG considerations. If the risk or opportunities identified have a measurable financial impact, these will be incorporated in the research analyst's model.

SECURITY SELECTION

Ruffer's investment approach is collaborative. When a new stock idea is put forward, all relevant ESG risks and opportunities are debated during meetings in our investment process, such as the research review, which includes fundamental analysts from our Research team, and at the portfolio manager review. Both these meetings are important in deciding whether the stock is proposed for investment and in assessing the level of conviction, which determines the holding size. The ESG representatives have input into the collective view on the company and the level of conviction with which it is presented to the portfolio managers, who make the security selection decisions. Material ESG considerations remain under review throughout our holding period, with the responsibility lying with the research analyst. As ESG risks and opportunities evolve, they are raised both ad hoc and formally in periodic stock conviction reviews, which may be instigated if a material change to an ESG consideration could impact our investment thesis.

We believe successful ESG integration is also focused on recognising opportunities, such as companies which have made positive progress on addressing corporate governance issues. Examples include many businesses in Japan and companies which are successfully transitioning to a low-carbon economy or are contributing to the energy transition.

Examples of ESG integration

OCADO is an online grocery retailer, founded in 2000, headquartered in the UK and operating internationally. It is a leader in technology for online retailing, logistics and distribution.

Ocado, a UK-based online grocery retailer we have held for the last three years, is an example where ESG considerations have influenced the positioning of our portfolio. Through our engagement with the company, we identified that the disruptive nature of its business model gave rise to a number of ESG advantages – most notably, lower product waste and carbon emissions than traditional food retailers. These advantages informed our collaborative investment process and, along with other factors, encouraged us to invest.

On product waste, Ocado's delivery model has reduced inventory time, resulting in food wastage statistics better than the industry average and a direct economic benefit for the company. On carbon emissions, Ocado's business is relatively energy-intensive, with fuel consumption by the delivery fleet accounting for a large proportion of total emissions. However, in general, the group's energy intensity has been falling, even though its retail business is growing. Ocado is achieving this through van-routing technology which helps reduce mileage by calculating the quickest and most efficient routes, which also has a direct economic benefit. In addition, Ocado is investing in converting its heavy goods vehicle (HGV) fleet to natural gas and is trialling the use of self-driving electric vehicles.

VOLKSWAGEN, which is headquartered in Germany, is one of the world's largest car manufacturers.

In addition to Volkswagen, other well-known brands in the group include Audi, Porsche and Skoda. In 2020, we conducted in-depth fundamental and ESG analysis on the company. We focused on its strategy to transition from internal combustion engines to electric vehicles, with Volkswagen investing more in its electric vehicle platform than any other auto manufacturer. We concluded this transition presents significant opportunities for the company and we believe it has the scale and strategy to be successful. This was a key part of our decision to invest in the second half of 2020. Our analysis also identified governance concerns and therefore, following our investment, we engaged with the company in the fourth quarter of 2020. More details can be found in the climate change section on page 39.

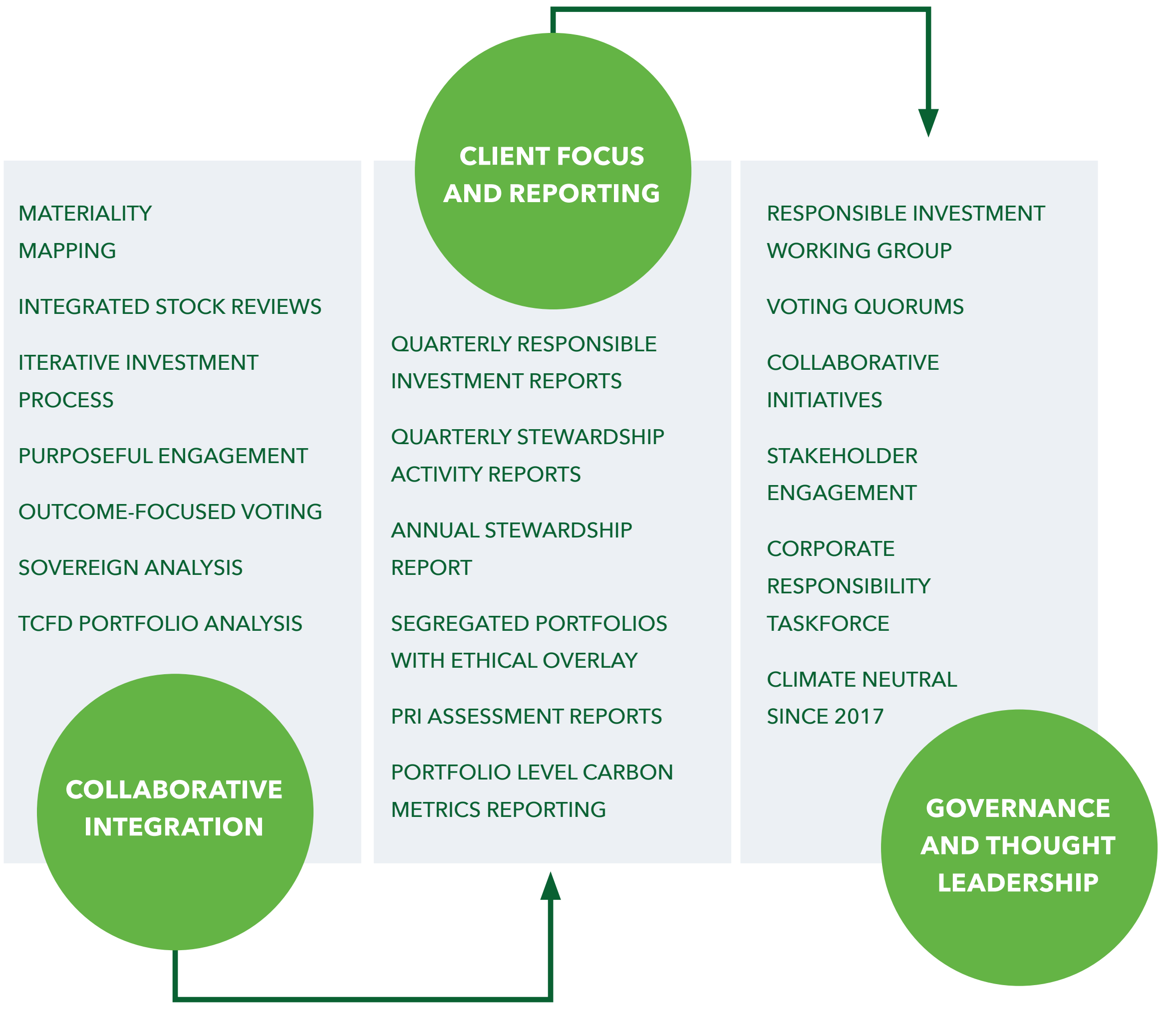
LIVENT is a lithium technology company, providing products for electric vehicles and energy storage, along with other industrial applications.

Livent is the largest pure-play lithium producer listed in the US, and we have held the stock since March 2019. Lithium is a strategic chemical in the global battery supply chain, as it is not currently possible to substitute lithium out of the battery technologies which have a key role to play in the decarbonisation of the economy. In the near term, the majority of the demand for lithium batteries will be for electric vehicles, where production is growing rapidly, led by consumer demand and government incentives. Over time, as renewables dominate the energy mix, demand for energy storage will provide another way to support sustainable growth.

Currently, there is not enough lithium in the pipeline to enable this rapid growth. Lead times are long, so we are eager to support investment in this field and believe a combination of higher chemical prices and longer-term contracts will enable this. In recent months, the market has begun to reappraise companies seen as instrumental to the energy transition, which is a key pillar of our investment case.

However, not all lithium extraction is clean. Livent has differentiated itself from other players in the sector by its commitment to sustainability. We have engaged multiple times to track the company's progress on several ESG issues. In particular, we have had constructive discussions over water usage and are encouraged by its investments into water-saving processes such as direct lithium extraction. We are also encouraged by the company's desire to improve its data transparency above industry peers.

Our investment approach is an iterative process, with our ESG analysis informing our active stewardship activities through engagement and voting and with the outcomes of our stewardship activities being incorporated into our investment theses. As a result, our ESG analysis and stewardship activities impact investment decision-making, and this has on occasions led to a decision not to invest in a particular company, or to reduce or sell a position size. An example of this is our holding in ExxonMobil. More details can be found in the climate change section on page 36.



Fixed income and other asset classes 7

FIXED INCOME

We have established a framework to assess our fixed income holdings, which are mainly government bonds. For each of the three ESG pillars (that is, environmental, social and governance), we have identified a number of relevant indicators and sub-indicators to assess the countries across our investable universe. We then weight the indicators and pillars according to our view of their relevance to assessing the risks of a particular country's sovereign bond market. The breadth of factors across these pillars reflects a greater emphasis on social and governance factors. The weightings within the framework produce an overall country sustainability score. We use this to rank countries and to monitor how a country's score has changed over time, both overall and for each of the three pillars.

We conclude, based on our analysis within this framework, that the UK, the US and Japan represent a low risk in terms of their overall country scores. This supplements and reinforces Ruffer's analysis of the economic evaluation of these sovereigns' fixed income instruments as suitable for asset allocation decisions within client portfolios.

As our fixed income holdings are mainly government bonds, our direct engagement activities are limited. However, we engage in policy decision-making through industry bodies such as the IIGCC (Institutional Investors Group on Climate Change) and IA, particularly on climate change issues. We have responded to multiple consultations in recent years in relation to the European Commission's Action Plan on Sustainable Finance, as well as the UK Treasury Select Committee's Decarbonisation Inquiry. We intend to use our country scores to direct our engagement efforts on particular policy areas.

Engagement with the UK Treasury on RPI Reform

In addition to our engagement activities with companies, we also respond to policy consultations and engage with policy makers on a range of topics. Over the past eight years, we have participated in the debate over the RPI transition, due to the potential impact on our holdings of index-linked bonds.

WHAT IS INFLATION?

This was the question the Consumer Prices Advisory Committee (CPAC) began asking itself and the UK Treasury in 2012. Due to different methodologies, a gap has always existed between two prominent measures of UK inflation, the Retail Price Index (RPI) and the Consumer Price Index (CPI). RPI has consistently increased at a faster rate, which has financial consequences for the UK government, as it has historically used RPI to index prices and incomes from state benefits and pensions to index-linked gilts. Following an error in how clothing price inflation was calculated in 2010, a more significant gap opened between RPI and CPI, often referred to as the formula effect. This led to CPAC attempting "to identify, understand and eliminate unjustified causes of the gap between CPI and RPI." Broadly, they were looking to align RPI more closely with CPI.

At Ruffer, we have never professed to be statisticians. However, given that a large proportion of the inflation-linked bonds we own for clients are linked to UK RPI, this possible realignment could have had a significant impact on the portfolio's holdings of index-linked government bonds. Following considerable debate, in which we have participated consistently over the last eight years, the UK government concluded in November 2020 that it would switch from RPI to CPIH (CPI including owner occupiers' housing costs) for its inflation-linked bonds. Although some transition period looked inevitable, the switch has been delayed until 2030. This delay was well received by bond investors and meant that the impact of this change on the holdings in portfolios has been minimal.

While the mechanism used to calculate inflation bears no impact on our long-term rationale for holding these bonds, it was important for us to protect our clients' interests and ensure these investments were not undermined. Ruffer's engagement, along with others, has ensured this change takes place in the least disruptive way and has enabled us to protect our clients' assets in the process.

HISTORY OF ENGAGEMENT

October 2012: Ruffer attended the public consultation and responded to the Office of National Statistics (ONS) with suggestions for improving the Retail Price Index (RPI).

January 2013: The ONS decided to make no changes to RPI but downgraded it from being a national statistic. The longest-dated bonds in Ruffer portfolios rose by 10% on the day of the announcement.

July 2018: The ONS downgrade was at odds with the broader statistical community. Following this, there was a call for evidence at the House of Lords. Ruffer was one of approximately 30 responders to this study.

July 2020: Ruffer participated in the consultation addressing reform of the Retail Prices Methodology. The basis of our response was to highlight the threat to the broader inflation-linked market in the UK, similar to the disruption caused to the US market following the Boskin reforms (which had the effect of lowering CPI). We strongly advocated that, if changes were to be made, this should be done post 2030.

November 2020: The Treasury formally announced RPI will transition towards CPIH but with these changes not taking effect until 2030. At this announcement, the longest-dated bonds immediately rose by 4-5%.[1]

1 Bloomberg

OTHER ASSET CLASSES

In addition to conventional assets, we invest with external managers who specialise in strategies designed to protect against an increase in financial market volatility (not just equities, but currencies and bonds too) and a widening of credit market spreads. The main instruments used to protect against a widening of credit market spreads are credit default swaps (CDS). In 2020, as part of our strategic ESG review, we sent all our third party managers a questionnaire to understand how environmental, social and governance concerns are integrated into their investment processes. The purpose of this initial request was to start a formal dialogue about ESG integration. We are in the process of evaluating the responses and will provide feedback in the second quarter of 2021.

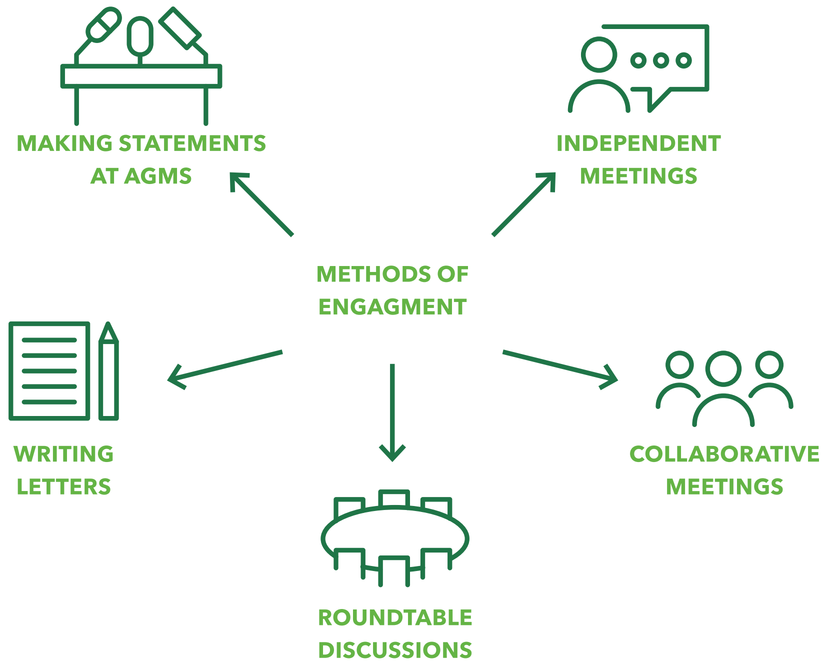
Impactful ownership

FOCUSED ENGAGEMENT

Engagement is an effective tool for achieving lasting and meaningful change.

Engagement with the companies we invest in not only gives us an opportunity to deepen our understanding of the business, but is also an effective tool for achieving lasting and meaningful change. By engaging with a company to achieve specific goals, we are improving our understanding of the material ESG risks it faces, challenging its behaviour in relation to ESG considerations and often increasing its awareness of regulatory and societal changes. This is likely to result in superior outcomes and returns for our clients along with broader stakeholders, the environment and society. Engagement also lets us share our philosophy and approach to investing and corporate governance with a company, and enhances its understanding of our objectives.

Engagement activities are usually conducted jointly by the ESG representative and the research analyst, with support from the responsible investment team. We consider this collaborative approach to engagement to be particularly powerful. It ensures we have detailed, well-informed discussions with companies on issues we deem to be material, helping to build relationships that enable us to push for significant change.



We will engage on our own or through collaborative initiatives with other investors who share our concerns. Our approach to engagement reflects both our specific investment objectives and approach and the resources we can dedicate to these matters. As we have one investment approach and invest globally, we apply our approach to engagement across regions. We believe stewardship is as much about responsible ownership as a considered approach to selecting companies.

Ruffer's resources for each engagement will be managed according to the circumstances and potential impact of each case. The extent to which we would expect to effect change will depend on the specific situation. While it is practical to consider the significance of our holdings in terms of issued share capital or as a percentage of our assets under management, engagement or escalation are not restricted to our major holdings. We prioritise engagement where we have identified material financial or regulatory risks. Consequently, many of our engagements have focused on issues such as climate change and tailings dams.

We continually monitor our engagement with companies and will use a variety of methods to achieve our objectives.

Most of our engagements take place through independent meetings and calls between Ruffer and investor relations teams, sustainability experts, company management or non-executive directors. The engagement is mostly conducted jointly by the ESG representative and research analyst. In some cases, this complements collaborative engagement. To ensure companies understand our concerns but also, importantly, how we have reached these conclusions, we occasionally write letters to company management or board members and attend annual general meetings (AGMs). In addition, other methods can be used to progress engagement, especially when considering complex issues such as climate change where it is necessary for companies to build partnerships both within and across industries. Roundtable discussions are one of the methods to help facilitate this, and Ruffer has participated in roundtables organised by the IIGCC and TPI, among others.

Discussions can focus on a range of topics, including business strategy, acquisitions and disposals, capital raises and operational financing, risk management, culture, board effectiveness and succession planning, shareholder rights, corporate responsibility, sustainability and remuneration.

We track our engagements and measure the outcomes of our stewardship activities when they have concluded. We use the information and insight from our stewardship activities to better inform the investment decisions we make through our collaborative investment process. Measuring impact more systematically is an objective of the strategic review of our engagement activities.

In 2020, we focused on revising the governance of our engagement activities and clarifying how we prioritise engagement and engagement themes. We strengthened our internal definitions of outcome-focused engagement, and we revisited and increased the scope of our engagement activities. Fundamental analysts in our Research team will have increased ownership of ESG engagements, particularly around corporate governance.

In 2021, we will work on implementing these changes. We will run targeted and example-driven training sessions, developing internal management systems to support the enhanced efforts of the Responsible Investment team.

WHEN DO WE DECIDE TO PURSUE COLLABORATIVE ENGAGEMENT? 10

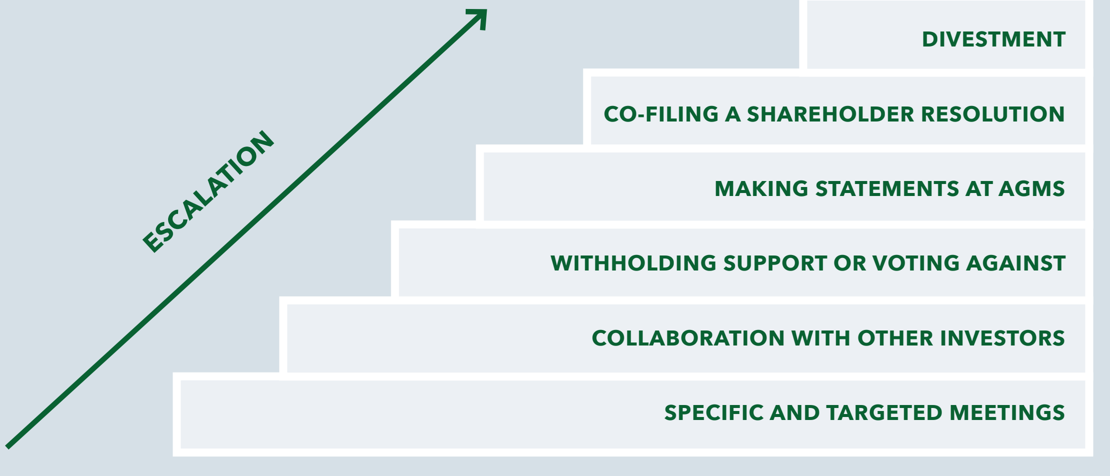
We collaborate with other investors who share our concerns on issues such as climate change.

In some instances, we believe collaboration with other investors may be the most productive way to engage. This could be when other investors share our concerns or independent engagement has not produced the desired outcome. Collaborative engagement can also provide a platform to engage on wider sector, regulatory and policy matters with investors and other stakeholders. Ruffer is open to working alongside other investors on both policy and company-specific matters. Decisions to collaborate on company-specific matters are judged case by case by the Responsible

Investment Working group, with input from the Responsible Investment team, research analysts and portfolio managers as well as the Legal and Compliance teams. In 2020, our collaborative engagement was mainly through the IIGCC, Climate Action 100+ and the Investor Mining and Tailings Safety Initiative. More details on our involvement in these initiatives and the outcomes achieved can be found in our stewardship themes and engagement examples section on page 30.

HOW WE ESCALATE ENGAGEMENTS

We consider a variety of tactics to escalate engagements, depending on the circumstances.



When an issue is identified, Ruffer usually raises it directly with the company, often with the management or members of the board, to facilitate frank and forthright discussions. If the outcome of this direct engagement is not satisfactory, Ruffer may consider escalation using a variety of tactics with a range of stakeholders at the company, including the investor relations team, management and non-executive directors. The particular approach taken depends on the circumstances of each case and may change in light of progress by the company or other developments.

More details on when we have used escalation tactics and the outcomes achieved can be found in our stewardship themes and engagement examples section on page 30.

STEWARDSHIP THEMES REFLECTING MARKET-WIDE AND SYSTEMIC RISKS

Our engagement efforts in 2020 changed in response to the covid-19 pandemic.

In 2020, we continued to focus our engagements on the themes of climate change, lobbying (specifically, political contributions and trade association memberships), Japanese corporate governance and tailings dams.

Following the onset of the covid-19 pandemic, we added a further theme – stakeholder management in response to the pandemic. More details on our activities in response to these themes, the effectiveness of our response and how we have incorporated this into our investment decision-making can be found in our stewardship themes and engagement examples section on page 30.

Although we examine the risks and opportunities of each company separately, every year there are themes – often reflecting industry trends – that influence our voting and engagement activities with a number of companies. These themes reflect market-wide and systemic risks which are material for a number of our investee companies. These risks are identified through our macro-economic analysis and ongoing dialogue. As responsible stewards of our clients' assets, we respond to these risks to promote well-functioning financial markets. Our response will differ depending on the risk identified and whether we decide an independent or a collaborative approach is likely to be most effective.

Our stewardship themes in 2021 will continue to incorporate ESG considerations, with climate change at the heart of our efforts. Climate Action 100+ has entered the second phase of its five-year engagement plan and the collaboration between investment managers and asset owners is starting to challenge companies to publish transition plans which are in line with the goals of the Paris Agreement and to put them up for vote at AGMs. We consider a variety of tactics to escalate engagements, depending on the circumstances.

Engagement summary

Ruffer believes that investor engagement is an effective tool to achieve meaningful change and we are committed to engaging with companies in which our clients' assets are invested on a wide range of topics.

In this section, we highlight significant ESG engagements and, where possible, show the outcome or whether the issues are still under review.

ENVIRONMENT

CLIMATE CHANGE

- Setting short, medium and long-term greenhouse gas emissions reduction targets
- Achievement of targets linked to executive remuneration
- Alignment of business strategy and capital expenditure with the goals of the Paris Agreement
- Joining the Energy Transitions Commission
- Management and board oversight of climate-related risks

DATA DISCLOSURE

- Greenhouse gas emissions (scope 1, 2 and 3)
- Climate scenario analysis
- Alignment with the Task Force on Climate-related Financial Disclosures (TCFD)
- Life cycle analysis of products

WATER

- Reducing consumption, particularly in scarce regions

LOW-CARBON TRANSITION

- Companies pursuing opportunities by adjusting their business models

SOCIAL

EMPLOYEE AND/OR COMMUNITY RELATIONS

- Ensuring a company's social licence to operate
- Health and safety issues
- Indigenous rights

TAILINGS DAMS

- Ensuring the safety of a company's tailings dams
- Publicly disclosing comparable data on tailings dams

STAKEHOLDER MANAGEMENT IN RESPONSE TO THE PANDEMIC

- Ensuring companies act in a responsible way to all stakeholders

GOVERNANCE

BOARD STRUCTURE

- Independence of non-executive directors
- Ensuring effective decision making
- Diversity of skills

JAPANESE GOVERNANCE

- Unwinding of cross-shareholdings to improve returns on equity
- Removing takeover defence measures

LOBBYING

- Transparency of political donations and trade association memberships

REMUNERATION

- Policies with challenging and well-defined criteria to ensure management aren't rewarded for poor performance

STRATEGY AND CAPITAL STRUCTURE

- To support the creation of shareholder value

Stewardship themes and engagement examples

NOTABLE VOTING AND ENGAGEMENT ACTIVITIES IN 2020

SUPPORTING THE FIRST SAY ON CLIMATE VOTE AT AENA

ENGAGING WITH DISNEY ON ITS RESPONSE TO THE COVID-19 PANDEMIC

ENGAGING WITH FUJITEC ON ITS TAKEOVER DEFENCE MEASURE AND BOARD STRUCTURE

PARTICIPATING IN THE INVESTOR MINING AND TAILINGS SAFETY INITIATIVE

CO-LEADING THE ENGAGEMENT WITH ARCELORMITTAL FOR CLIMATE ACTION 100+

Climate change

HOW WE CONSIDER CLIMATE CHANGE RISKS

At Ruffer, we believe ESG considerations contribute to the risk of an investment. So, to manage this effectively, we incorporate these considerations into our investment process. This is particularly important when assessing the implications of climate change, given the number of companies that are likely to be affected and the variety of ways this is likely to occur. Consequently, Ruffer considers the effects of climate change, including both the risks and the opportunities this presents, for all of our investments.[1]

As the effects of greenhouse gas emissions are cumulative, persistent and not localised, this issue must be considered in a global context. The response needs to be international, based on a shared vision of long-term goals and agreement on frameworks that will accelerate action over the next decade.

For investors like Ruffer, it is of the utmost importance that the transition begins now. The longer the transition is delayed, the greater the chance of it occurring in a rushed and disorderly way, which would create additional uncertainty for markets. We agree with the comments of the former Governor of the Bank of England, Mark Carney, who has repeatedly emphasised the potential impact on financial stability. Consequently, Ruffer became a supporter of the TCFD in May 2019. We are developing our response to the standards, and we expect to publish our first TCFD report in 2021.

The transition creates both risks and opportunities for the companies in which we invest, and these considerations inform both our investment analysis and our engagement discussions. Looking at companies currently held in Ruffer portfolios, both BP and Royal Dutch Shell have announced plans to become net-zero energy companies by 2050, marking significant changes in their business models and strategic outlooks.[2] Additionally, in September 2020, ArcelorMittal announced a target to become

1 More information is available in our climate change framework, available at ruffer.co.uk/responsible-investing
2 bp.com, 12 February 2020, shell.com, 16 April 2020

net-zero across its global operations by 2050.[3] Ruffer has been co-leading the Climate Action 100+ working group engaging with ArcelorMittal, more details of which can be found on page 34. To achieve these greenhouse gas emission reductions in the most cost-efficient way, new partnerships will need to be forged not only within, but between, industries. Partnerships such as the Energy Transition Commission will be vital to establish better co-ordination between sectors as we transition from linear to circular economic models.

Policy makers and business leaders are now looking ahead to the delayed UN Climate Change Conference (COP26), which will be held in Glasgow in November 2021. Countries will be required to submit their updated Nationally Determined Contributions for the first time since the Paris Agreement was reached in 2015. Following the presidential election in November 2020, the US has re-joined the Paris Agreement and it is hoped COP26 will re-invigorate the global collaboration needed to achieve meaningful change. It is not only carbon-intensive sectors that will be directly affected by the outcomes of COP26; the agreements reached will impact all sectors, and particularly the financial sector. Christine Lagarde, President of the European Central Bank, has pledged to make climate change "a mission-critical priority", in the launch of the COP26 Private Finance Agenda.[4]

OUR ENGAGEMENT RESPONSE TO CLIMATE CHANGE

We are engaging with management at companies that make a significant contribution to global greenhouse gas emissions to encourage them to adapt their business models to align with the transition to a low-carbon economy. As concerns about climate change have intensified, investors' desire to engage with companies on this issue has grown. Due to the scale and global nature of the problem, a number of shareholder initiatives, including Climate Action 100+, have been launched. We believe in the power of collaborative engagement and were a founding investor signatory to Climate Action 100+.

In our sign-on statement to Climate Action 100+, we acknowledged that we are "aware of the risks climate change presents to our portfolios and asset values in the short, medium and long term. We therefore support the Paris Agreement and the need for the world

3 corporate.arcelormittal.com, 30 September 2020
4 Financial Times, 27 November 2019

Circular economic model

Where resources are continually used and waste is eliminated, in contrast to a linear economic model, where resources are used and then disposed of

Nationally Determined Contribution

A country's commitment to reduce its greenhouse gas emissions and details of how it intends to adapt to climate change, which are submitted every five years to transition to a lower carbon economy consistent with a goal of keeping the increase in global temperature this century to well below 2°C above pre-industrial levels."[5]

As part of the initiative, we are actively involved in the working groups engaging with a number of European and American companies.

As well as being a member of the IIGCC, we are also supportive of the IIGCC's shareholder resolution sub-group, and we think that shareholder resolutions are likely to have an increasingly important role to play in tackling climate change in the years ahead. We see shareholder resolutions as a useful communication tool when engagement has not been successful, because they give companies a clear picture of the preferences of their shareholders.

Over the past year, we have intensified our engagements with companies on climate change. This reflects the growing interest in, and concern about, climate change in many countries around the world. But it also, importantly, reflects the increasing acknowledgement of the risks, both physical and transitional, climate change poses for financial markets. Consequently, our engagements have focused not just on oil and gas companies, but also on companies in industries from financials to automobiles.

We are encouraged by the steps already taken and expect momentum to grow ahead of COP26. As responsible stewards of our clients' capital, we will continue to push companies to make further progress and provide additional information on how their climate targets will be met in the months and years ahead. The steps taken over the past year demonstrate how companies, particularly in carbon-intensive sectors, are recognising the need to commit to addressing climate change if they are to maintain their social licence to operate. Due to the significant implications for companies, industries and sectors, we will continue to closely monitor developments and incorporate these into our engagement plans and investment analysis at both the macro-economic and company-specific levels.

Social licence to operate

Exists when a company has the approval of its employees, the local community and other stakeholders to continue to operate in the region

5 Climate Action 100+, climateaction100.org

ARCELORMITTAL is one of the world's leading steel and mining companies. It is headquartered in Luxembourg and is Europe's largest steel producer.

Ruffer co-leads the Climate Action 100+ working group engaging with ArcelorMittal

Issues: Environmental, governance – climate change, remuneration, trade association memberships

Climate Action 100+

A five-year initiative, launched in December 2017, to engage with the world's largest corporate greenhouse gas emitters. The initiative, which is led by investors, has three high-level goals on climate-related matters: to improve governance, reduce emissions and increase disclosure. It is engaging with 161 companies. By the end of 2019, the initiative was supported by more than 500 investors, representing $47 trillion in assets under management.[6]

One of the most carbon-intensive companies in our portfolios is ArcelorMittal, the largest steel producer in Europe. The current production process for steel is hugely carbon-intensive as it uses significant amounts of metallurgical coal to reduce the iron ore to iron and subsequently to steel. This process has been made much more efficient over the last few decades, but expected future efficiency gains are not going to be sufficient to meet the goals of the Paris Agreement. Much of the infrastructure that will be needed to transition to a low-carbon economy, such as wind turbines, requires a lot of steel. Consequently, we will arguably need more, not less, steel, given its properties enable it to be reused and recycled (unlike many other materials, such as cement). The development of new processes that drastically reduce the carbon intensity of steel production will therefore benefit both the environment and the company.

We have been intensively engaging with ArcelorMittal over the last 18 months through Climate Action 100+, where we are one of the co-lead investors. We attended ArcelorMittal's AGM in Luxembourg in May 2019, where we asked the company to set ambitious targets to reduce its greenhouse gas emissions and to review its lobbying activities. We felt it was important to attend the AGM to make a statement to the whole board, including Lakshmi Mittal as CEO and Chair of the Board, to introduce the Climate Action 100+ initiative and explain what it is trying to achieve. We had a private meeting with Mr Mittal after the AGM, which was helpful in allowing us to provide context as to what we are asking the company to do and to build a common understanding.

6 climateaction100.org

We have had numerous meetings with ArcelorMittal since then, and we are encouraged by the commitments the company has made, most significantly in September 2020 to be net-zero across its global operations by 2050. This is a hugely important step and achievement of this target will require the development of new production processes either taking the 'smart carbon' based route or using hydrogen, instead of coal, to reduce iron ore. While most of these technologies are still in the pilot phase, the announcement that the company has begun to produce 'green steel' in 2020 at its European operations demonstrates the feasibility of these new processes. The net-zero commitment followed pledges in December 2019 for its European operations to reduce its emissions by 30% by 2030 and to be net-zero by 2050. Our engagement is now focused on encouraging the company to set an ambitious 2030 carbon reduction target across its global operations and to publish a robust transition plan setting out how it will achieve this. Both these topics were discussed in detail at a meeting with Aditya Mittal, CFO and board member, and Bruno Lafont, Lead Independent Director, in November 2020. We look forward to continuing our productive discussions in 2021.

Net-zero

When anthropogenic emissions of greenhouse gases into the atmosphere are balanced by equivalent removals from the atmosphere over a specified timeframe; also referred to as climate-neutral

ExxonMobil

9 10 11

EXXONMOBIL is a multinational oil and gas company with upstream, downstream and chemicals business. The company is headquartered in the US.

Issues: Environmental, social, governance – climate change, lobbying stakeholder management in response to the covid-19 pandemic

Ruffer has engaged both independently with ExxonMobil and through the Climate Action 100+ working group, where we are a supporting investor.

Ruffer has been intensively engaging with ExxonMobil over the past three years, both through the Climate Action 100+ working group and independently. In 2016, we voted for a climate change related shareholder resolution co-filed by the New York State Common Retirement Fund and the Church Commissioners for England, although it failed to win the support of a majority of shareholders. We also supported a similar resolution in 2017, which was successful, with 62.1% shareholder support, despite not receiving the backing of ExxonMobil's board.[7] The resolution asked the company to report annually on how technological advancement and international climate change policies focused on keeping temperature increases well below 2°C will affect its business and investment plans.

This resolution led to ExxonMobil producing its first energy and carbon summary report in 2018, which analysed climate scenarios that limit the increase in temperatures to 2°C and has formed the basis for further engagement with the company. However, the company's disclosure on this issue did not go far enough, so Ruffer was asked to participate in a Climate Action 100+ group meeting with ExxonMobil in Boston in November 2018 to discuss the core objectives of the initiative of improving governance, reducing emissions and increasing disclosure.

ExxonMobil was resistant to pressure to disclose targets to reduce its greenhouse gas emissions in line with the Paris Agreement.

The lead investors of the Climate Action 100+ working group for ExxonMobil, New York State Common Retirement Fund and the Church Commissioners for England, filed a shareholder resolution in 2018 for the 2019 AGM. The resolution asked ExxonMobil to disclose short, medium and long-term greenhouse gas reduction targets that are aligned with the Paris Agreement. As we agreed with the importance of this additional disclosure, we co-filed this resolution in December 2018. ExxonMobil asked the US Securities and Exchange Commission (SEC) for, and was granted, 'no action' relief and so did not include the resolution on its 2019 ballot. We decided to vote at the 2019 AGM against the re-election of all non-executive directors because we did not feel they appropriately represented shareholder concerns regarding climate change and the risks this poses for the company.

In addition, we supported a shareholder resolution asking for an independent Chair of the Board. This is because we believe the company's unsatisfactory handling of the Climate Action 100+ shareholder proposal, including the decision to seek 'no-action' relief from the SEC and the slow progress of engagement with Climate Action 100+, are intrinsically linked to poor governance. We also supported shareholder resolutions asking for a board committee to assess social and environmental issues and for additional disclosure of the company's lobbying activities.

7 ExxonMobil (2017), Proxy voting results

Before the AGM, we wrote to Darren Woods, CEO and Chair of the Board, and Neil Hansen, Company Secretary, to explain why we had voted in this way, so the company understood why we were both frustrated and concerned about its approach to climate change.

We had numerous calls with the company in late 2019 and in 2020, both through Climate Action 100+ and independently, where we re-iterated our concerns and the outcomes we expected. We encouraged the company to reconsider the disclosure of greenhouse gas emissions in relation to its products (scope 3 emissions under the Greenhouse Gas Protocol's corporate standard) and the setting of specific short, medium and long-term emissions reduction targets.[8] As in 2019, we also voted against the election of all non-executive directors at the 2020 AGM and supported a resolution asking for an independent Chair of the Board as we felt the board was more likely to respond to shareholder interests if it was independently led. However, limited progress was made. This was incorporated into our investment decision-making, and in the first half of 2020 we dramatically reduced our holding in the company. Our concerns about its approach to climate change and the lack of progress of our stewardship activities was a key part of this decision.

When Ruffer increased our position in energy companies in the second half of 2020, it was actively decided to hold European energy companies, due to their favourable commitments and actions to address climate change.

8 Scope 3 emissions, as defined by the Greenhouse Gas Protocol, are all the indirect emissions, except purchased heat and electricity, that occur in the value chain of the reporting company, including both upstream and downstream emissions

JPMorganChase

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JPMORGAN CHASE is a global financial services firm.

Issues: Environmental, governance – climate change, succession planning, remuneration

We engaged with the company ahead of its 2020 AGM to discuss the shareholder resolution requesting the company produce a report specifying "if and how it intends to reduce the [greenhouse gas] emissions associated with its lending activities in alignment with the Paris Agreement's goal of maintaining global temperature rise below 1.5°C." We explained to the company why we think this information is important to investors and, therefore, why we were likely to support the resolution. We gave the company the opportunity to explain its stance, and discussed the lack of clear definitions in the financial sector on aligning lending activities with the Paris Agreement. While we accept this is a problem, we think there is momentum pushing these discussions forward and, if a commitment can be reached under a high-level framework, it will accelerate the agreement of these definitions. In addition, we stressed that, as a leading global bank, JPMorgan Chase should be striving to find solutions to these problems, and we would like to see a greater commitment from the company. Ruffer supported the shareholder resolution at the 2020 AGM, which was narrowly defeated. However, in October 2020, the company adopted a Paris-aligned financing commitment.

We also discussed the succession plans for members of the board as several have served for a significant length of time. In particular, we focused on Lee Raymond, who has been on the board for 19 years. We were encouraged by the company committing to appointing a new lead independent director by the end of summer 2020. On the topic of remuneration, we discussed the 30% vote against management at the 2019 AGM and the measures taken since.

VOLKSWAGEN which is headquartered in Germany, is one of the world's largest auto manufacturers.

Issues: Environmental, governance – low-carbon transition, culture, board structure

Environmental and governance issues formed an integral part of our internal discussions on Volkswagen, and we therefore set up an initial meeting with the company to address the key risks and opportunities identified.

We discussed the topic of electric vehicles (EVs) in detail, given their importance for the company's overall strategy. We focused on the ambition for EVs within the company, the plans it has in place to meet internal targets and emissions regulations, and how remuneration and company culture is aligned to enable the long-term transition. Volkswagen detailed the targets it has set for vehicle production, the key partnerships it is establishing, how internal resources and investments are being allocated between the EV and traditional internal combustion engine (ICE) businesses, including re-skilling employees, and the commitment the company has made to not launch any ICE models in developed markets beyond 2026 (in line with the goals of the Paris Agreement).

In light of reports the company was likely to be fined for missing the 2020 EU emission regulation targets, we asked how management were thinking about the trade-off between hitting emissions targets and profitability. The company explained the miss was the result of setbacks in EV production, due to battery supply. This was caused by the covid-19 pandemic, and the company reiterated it expected to be within 1% of the requirements and it was more positive on the outlook for meeting the 2021 targets.

While acknowledging the challenges faced in 2020, we impressed upon the company the non-financial costs of missing emissions targets and encouraged them not to underweight these costs when planning production.

Given the firm's EV strategy and targets, we asked how this is linked to executive remuneration and we encouraged transparency in disclosing this information to shareholders. The company explained it plans to link executive remuneration with ESG factors and to provide improved disclosure of this. We will monitor progress on this.

The second theme we focused on was 'Dieselgate' and the corporate governance implications. We discussed how the culture at Volkswagen has changed since Dieselgate and what initiatives have been put in place, both top-down and bottom-up. The company explained the evolution necessary for its long-term sustainability, such as a board-level position for integrity and legal affairs, which encourages a 'speak up culture' across the business. On board structure, we raised concerns on the independence of the audit committee, given the length of tenure of two of the committee members and the fact that a controlling shareholder is also the Chair. The company acknowledged these issues, including the limitations of the dual board structure, and assured us this is being reviewed internally. We will continue to engage on this topic.

HM Treasury

HM TREASURY is the UK government's economic and finance ministry, maintaining control over public spending and setting the direction of the UK's economic policy.

Meeting with the HM Treasury

Issues: Environmental – climate change

In addition to our engagement activities with companies, we also engage with policy makers through industry bodies such as the IIGCC and the IA, particularly on climate change issues. We have responded to multiple policy consultations in relation to the European Commission's Action Plan on Sustainable Finance as well as the UK Treasury Select Committee's Decarbonisation Inquiry and, in February, we had a meeting with representatives of HM Treasury to discuss the UK's Green Finance Strategy.

We shared Ruffer's view on the objectives of the Green Finance Strategy and key legislation under the EC's Action Plan on Sustainable Finance. We wanted to understand the government's future direction of the Strategy and the UK's implementation of the Action Plan.

The Treasury explained that the TCFD is a key part of the government's Green Finance Strategy. The government has set up a working group composed of the Financial Conduct Authority, the Prudential Regulation Authority, the Bank of England and the Pensions Regulator to work out the best approach for increasing adoption of the TCFD recommendations. The working group is assessing the merits of mandatory disclosure through primary or secondary legislation.

The Treasury underlined it will aim to ensure the consistency of the UK regulatory framework with the EC's Action Plan on Sustainable Finance and does not intend to develop a set of separate standards. However, questions remain about the UK's implementation of the Action Plan because, although the low-carbon benchmarks regulation will come into effect before the end of the transition period, the taxonomy and disclosures regulation will not.

Lobbying

HOW WE CONSIDER LOBBYING-RELATED RISKS

When analysing a company, we think it is prudent to understand the internal governance processes around its political contributions and its trade association memberships. This is an important issue given the effectiveness of some trade associations in lobbying governments around the world, particularly in relation to climate change regulation. It is important to Ruffer that a company's stated policy on climate change is aligned with its lobbying activities and practices.

OUR ENGAGEMENT RESPONSE TO LOBBYING

In 2020, we engaged with several companies on increasing transparency around their lobbying activities, often building on discussions in 2018 and 2019. Specifically, we asked for public disclosure of political contributions and trade association memberships. We also voted for a number of shareholder resolutions asking for additional disclosure of lobbying-related activities. Over 2020, we engaged and supported shareholder proposals at General Motors and Walt Disney, and we discussed lobbying activities with ArcelorMittal.

GENERAL MOTORS is an American automobile manufacturer headquartered in Detroit.

Issues: Environmental, social, governance – low-carbon transition, lobbying, board structure

On lobbying, we raised that we had for a second time voted for the shareholder resolution for a lobbying report. While there had been some progress since our discussion on this topic in 2019, we did not deem this sufficient. We noted our expectations of lobbying disclosure and explained we were disappointed with the limited progress over the last year. The company explained it continues to engage with investors on this and is looking to provide increased disclosure of trade association memberships in 2021. We stressed we see improvements in lobbying disclosure as an important issue for General Motors, given the industry in which it operates and the political environment in the US, and we will continue to engage on this topic.

Given the importance of EVs to the company's overall strategy, and its recent commitment to increase its combined investment in electric and autonomous vehicles to $27 billion by 2025, we discussed the topic in detail. We focused on how the company plans to balance its ambitions for EVs with its existing internal combustion engine businesses, and the strategy for EV adoption across different markets both within and outside the US. General Motors detailed the measures it has put in place internally to manage the transition, including expanding its planned range of EVs to cater to different markets. We also discussed its partnerships with other autos makers which are focused on increasing the efficiency of its internal combustion engines and are likely to free up investment for EVs.

On emissions, the company stated it expects to be compliant with emissions standards across its fleet, and its commitment to an all-electric future is a key component to delivering this. We asked how management is thinking about the future path of regulation, particularly in light of the change in administration in the US. The company reiterated it is fully committed to delivering on the strategy, regardless of the political landscape.

We asked for more disclosure on how the company links its emissions targets and its EV strategy to executive remuneration. The company explained it expects to announce detailed alignment of remuneration with ESG targets (including for EV transition) in 2021. We welcomed this and stressed the importance of making these targets quantitative and sufficiently ambitious.

On governance, we highlighted we had again voted against two directors we consider to be entrenched and asked how the company plans to maintain sufficient diversity of experience and skillsets on the board. The company explained it has launched a formal five-year board succession plan. It is looking to add members with experience in technology, disruptive industries and venture capital to reflect its transition to an EV technology business. We stressed the importance of having directors with climate change experience on the board, and of having an individual board member accountable for sustainability.

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WALT DISNEY is a worldwide entertainment and media company. It was founded in the 1920s as a cartoon studio.

Issues: Governance – succession planning, board structure, lobbying and remuneration

On the topic of lobbying and the company's memberships of trade associations, we voted for a shareholder resolution in 2018 and 2019 requesting additional disclosure. While the company has responded to these resolutions by increasing its disclosure, this only includes trade associations based in the US. As the framework has been established and the analysis already conducted for these associations, we do not think it is onerous for the company to expand this to cover all trade associations of which it is a member. We stated clearly to the company that we were disappointed it has not expanded its analysis and that we would support the shareholder resolution at the 2020 AGM.

We discussed succession planning at length, given that Bob Iger's[9] contract expires at the end of 2021. We focused on the internal candidates we had identified as likely to succeed him, as the company had not released a list of those under consideration. Given the distinctive culture at Disney, there is a preference for an internal candidate if the skill sets are also preferred, and we discussed the most important criteria for selecting his successor.

With regards to the board, we discussed our concerns over the tenure of the lead independent director and whether there were plans for this role to be passed to one of the directors more recently added. We stressed this is of particular importance to us when there is not an independent Chair of the Board.

The company responded that this is not currently under consideration as it considers directors with a tenure of less than 15 years as independent.

We spoke about executive remuneration, in particular the quantum and rigour of the performance conditions. In response to feedback from shareholders, the company has both reduced the quantum and made the performance conditions of the one-time equity grant more stretching. We pushed the company to apply these more rigorous criteria to the long-term incentives.

9 CEO at the time of the engagement. On 26 February 2020, it was announced Bob Chapek would succeed Bob Iger as CEO of Walt Disney

Tailings dams

HOW WE CONSIDER THE RISKS POSED BY TAILINGS DAMS

Following the catastrophic collapse of a tailings dam near Brumadinho in Brazil in early 2019, a number of investors agreed that more information was needed on which companies had tailings dams and how this risk was being managed. As a result, the Investor Mining and Tailings Safety Initiative was set up, led by the Church of England Pensions Board and the Council on Ethics of the Swedish AP Funds, with the aim of creating a complete list of tailings dams around the world and an international standard for safety based on the serious consequences of failure.

Ruffer has supported the Investor Mining and Tailings Safety Initiative, as we deem tailings dams to represent a material risk to the mining companies in our portfolio and the sector as a whole. Due to asset allocation decisions, we have held an allocation to gold mining equities for a number of years, and at times we have also held an allocation to diversified mining equities. We believe the way tailings are managed needs to significantly change to protect the environment and communities around the dams and thereby preserve the sector's social licence to operate. The recent catastrophic dam collapses are not 'black swan' events though as, unfortunately, numerous tailings dams collapse around the world each year. Instead, these events are better categorised as 'gray rhinos' – a highly probable, high impact yet neglected threat. It is therefore part of our duty to our clients to think about this risk for all mining companies in which we invest.

OUR ENGAGEMENT RESPONSE TO THE RISKS POSED BY TAILINGS DAMS

We have been actively involved in the Investor Mining and Tailings Safety Initiative, including hosting a summit in October 2019 at our London office, coordinated by the Church of England Pensions Board and the Council on Ethics of the Swedish AP Funds. The event brought together a broad range of stakeholders, from the CEO of Anglo American and other company representatives to asset owners, investment managers, industry associations such as the International Council of Mining and Metals (ICMM) and global organisations such as the United Nations Environment Programme Finance Initiative (UNEP FI) and the World Economic Forum. We also heard directly from the communities affected by recent failures of tailings dams in Brazil, which highlighted both the urgency and the importance of this initiative's aims.

We participated in the summits during 2020 and are an active member of the collaborative engagement initiative. We have engaged with the companies, such as ExxonMobil and Yara, where we were supporting investors, through the collaborative engagement initiative. These companies had not responded to the initiative and we wanted to stress how important this issue is to us as investors. Encouragingly, ExxonMobil has since responded to the initial disclosure request, while Yara has committed to responding. We have also independently engaged with a number of companies that have responded to the initiative, such as Newmont, to understand fully how any changes have been put into effect and how senior management is creating a culture where, if at all possible, catastrophic events are averted.

GOLD FIELDS is a gold producer that operates mines and projects in Australia, Chile, Ghana, Peru and South Africa.

Issues: **Environmental, social, governance – management of cultural heritage sites and First Nations and indigenous community relations, tailings dams, employee relations and stakeholder management during the covid-19 pandemic**

Gold Fields endorsed the Global Industry Standard for Tailings Management when it was published in August 2020. As a member of the ICMM, the company had been involved in the creation of the standard and committed to implement it within the timeframe agreed. We are encouraged by these steps and the progress the company has made in addressing this issue since our discussion in 2019. This includes the appointment of a Group Head of Tailings to ensure corporate oversight and a detailed review of its tailings facilities. We discussed the governance of tailings management, including how members of the board have been actively involved, and the importance of strong systems and a culture of transparency to ensure timely reporting of any potential issues.

As a consequence of the destruction of a number of caves of cultural and archaeological significance in the Juukan Gorge in Australia in May 2020, Ruffer formed part of a group of investors who wrote to mining companies to stress our concern over this event and to put pressure on companies to prevent similar incidents in the future. We discussed the letter with Gold Fields, which included a request to detail the current processes it has in place to manage cultural heritage sites and its relations with First Nations and indigenous communities.

Tailings dams

Physical structures used to store by-products from mining activities. Mined rock is ground and mixed with chemicals and water to extract the minerals and metals. Tailings are what are left once the minerals and metals have been extracted and usually take the form of a slurry of fine particles, but can be solid or liquid.

We were encouraged by the company's commitment to respond to the letter and by how it has seen this as an opportunity to review its current processes, with detailed discussions at both executive and board levels focused on cultural heritage safeguards. The company is also playing an active role within the industry on this topic as it recognises the importance of maintaining its social licence to operate. In light of this, the company has reached out to its workforce to better understand their cultural heritage concerns.

Given the challenges of operating in the covid-19 pandemic, we discussed the measures the company has taken to support its employees, including maintaining salaries. The company explained that in most of its jurisdictions, after a short initial lockdown, operations were able to resume with additional protocols in place to ensure employees could work safely. The company was pleased to report relations with employees have strengthened over this period due to the way it has handled the pandemic and prioritised the health of its workforce.

We discussed the company's sustainability priorities for 2020 and the ongoing discussions at the board and executive level on how best to further integrate these priorities into the company's strategy. We look forward to continuing these discussions in 2021.

Newmont

NEWMONT is a gold producer operating mines in North America, South America, Australia and Africa. In 2019, Newmont and Goldcorp merged, creating one of the largest gold companies in the world.

Issues: Environmental, social – tailings dams

In the autumn of 2019, we met with the new CEO of Newmont, Tom Palmer. In addition to discussing his strategic outlook, we focused specifically on the issue of tailings dams as we consider these structures to represent a material risk to mining companies like Newmont. Newmont is one of the largest gold mining companies in the world. Therefore, as investors, we expect it to be providing leadership to the sector in addressing the issues caused by tailings dams and in finding long-term alternative solutions. When we met with Tom Palmer, we were encouraged that he, along with other senior management, had visited a number of the company's tailings dams.

Following the publication of the new Global Industry Standard on Tailings Management in August 2020, we spoke with Steve Gottesfeld, Chief Sustainability Officer, and Dean Gehring, Chief Technology Officer, at Newmont. We wanted to understand the changes the company is making to ensure it is appropriately managing this risk and meets the new standard. We were pleased that the company has made changes to ensure there are clear lines of accountability and, given the complexity of tailings dams and the limited number of expert engineers, is managing this risk at the corporate, rather than the mine, level. Importantly, we focused a lot of the discussion on the culture of the company to ensure that, if at all possible, catastrophic events are avoided. We recognise the success of the new standard will depend on it being embedded throughout the organisation, with strong leadership from senior management. We will continue to engage with the company as it works to implement the new standard in addition to incorporating the outcomes of our stewardship activities into our investment thesis.

Corporate governance in Japan

HOW WE CONSIDER CORPORATE GOVERNANCE ISSUES IN JAPAN

In recent years, the Japanese government has made improving corporate governance a priority. It sees governance as a mechanism to enhance balance sheet efficiency and capital allocation decisions, with the aim of increasing corporate value and ownership by foreign investors. Ruffer has invested in Japanese companies for over a decade, and we value good corporate governance practices. While real change takes time, with inevitable setbacks along the way, we believe Japan has seen a meaningful shift in governance practices.

Improvements in corporate governance are undoubtedly difficult to measure. Recent trends in important indicators, such as the proportion of independent directors, gender diversity, cross-shareholdings and takeover defence measures, show progress has been made, albeit from a low starting point, but there is still much to be done. We support the commitment of the Japanese government and others to the importance of corporate governance. We will continue to raise our concerns and stress the importance we attach to strong governance practices in our engagement with companies, which also informs our voting at company meetings.

Following the introduction of the Japan Stewardship Code in 2014, Japan's first Corporate Governance Code was released on 1 June 2015 and revised on 1 June 2018. The code follows a principles-based approach, similar to the UK Corporate Governance Code, where companies must comply with the principles set out in the code or provide an explanation for not doing so. The Japan Stewardship Code was revised in March 2020, and Ruffer submitted its response to the code in September 2020. Ruffer supports the principles of the Japan Stewardship Code as a guide for good practice engagement with our investee companies and has been a signatory to the code since 2015. Given Japanese equities have represented an asset allocation for many years in Ruffer portfolios, which has often been significant, we think it is important we are a signatory to this stewardship code.[10]

10 Our response to the Japan Stewardship Code is available at ruffer.co.uk/responsible-investing

FUJI ELECTRIC is a Japanese electrical equipment manufacturer.

Issues: Governance – director independence and cross-shareholdings

We expressed our concern regarding three members of the board who the company considers to be independent. Two of the directors have worked at companies linked by cross-shareholdings within the past five years, and one has a recent connection with an important lender to the company. We reminded the company of our concerns about cross-shareholdings more generally, and how they increase the need for truly independent outside directors. We also pushed the company to provide greater clarity and transparency around the skills and experience of these board members. We see improvements in governance within the business as a potential catalyst and will therefore continue to engage on these issues.

FUJITEC is a Japanese escalator and elevator manufacturer.

Issues: Governance – cross-shareholdings, takeover defence measure and board structure

We expressed our concern regarding the company's cross-shareholdings and uncancelled treasury shares, explaining that we consider these to be an inefficient use of capital. We emphasised our support for Japan's Corporate Governance Code, which pushes for the reduction in cross-shareholdings. We explained our support for a three committee board structure over a traditional Japanese board with statutory auditors (known as a kansayaku board structure), in order to improve transparency of decision-making. We recommended the creation of compensation and nomination committees with fully independent members. Following this discussion, Fujitec released its Future Strategic Direction Plan, which outlines the company's new policies on business strategy and capital. The plan includes a commitment not to renew the company's 'poison pill' when it expires in June 2022, the establishment of independent nomination and compensation committees and the cancellation of half of the treasury shares. The company has also committed to setting up an employee share incentive scheme, which we consider to be a positive step in terms of alignment with shareholder interests.

MITSUBISHI ELECTRIC is a Japanese industrial company that develops, manufactures and sells electronic equipment, including factory-automation and air-conditioning systems.

Issues: Social, governance – labour practices, data security, board structure and independence of directors

We spoke with the company ahead of its 2020 AGM to discuss measures taken over the last four years to improve its labour practices. We were encouraged by the steps the company has taken and think this progress is reflected in the sharp reduction in the number of employees working significant amounts of overtime and in the results of recent staff surveys. On the topic of data security, we discussed the data breach which occurred in 2019, focusing on the measures put in place both before and after this event, given the sophistication of the attack.

While we appreciate the recent changes to the board structure, including that sub-committees are now chaired by independent directors, we still have concerns over Takashi Oyamada. We do not believe that Mr Oyamada is independent, as he is a senior advisor to MUFG Bank, which holds shares in Mitsubishi Electric. We communicated these concerns to the company and, as in 2019, we voted against his re-election.

ORIX is a diversified Japanese financial services firm engaging in leasing, insurance, asset management, real estate and banking activities.

Issues: Governance – board structure and composition

We engaged with the company leading up to its AGM in June 2020. We had concerns about the academic background of a proposed new board member, especially as multiple members of the existing board have academic backgrounds. Following our discussion, we were reassured that the new board member could be considered independent and offered relevant experience. Given this, we voted in favour of the appointment. Moving forward, we encouraged the company to provide detailed evidence regarding the relevant knowledge and experience of academic members of the board.

We also expressed concern regarding the size of the board and encouraged the company to consider reducing the number of board members (currently 12), while increasing the proportion of independent members. The company confirmed its plans to increase the proportion of external directors over time, with a focus on enhancing the diversity of the board. To enable this, management stated they would not shy away from making adjustments to internal appointments.

ROHM

ROHM is a Japanese electronics manufacturer.

Issues: Governance – board composition and structure, remuneration

We engaged with the company on the experience of the board members, particularly the independent directors, who have limited industry experience. We expressed our concern over this, and that few directors are truly independent. With regards to the structure of the board, while it is encouraging that the board has nomination and compensation committees, these committees are not chaired by independent directors. We stressed the importance to us of having independent chairs of sub-committees to ensure robust oversight of management. Following the introduction of a restricted stock plan, we asked for additional disclosure on remuneration, especially the split between fixed and performance-based compensation for management and the criteria used to determine variable compensation.

TOKIO MARINE

TOKIO MARINE is a Japanese insurance company.

Issues: Governance – independence of directors

We engaged over the appointment of a director who we do not consider independent, given the cross-shareholdings of the company: Shinya Katanozaka is President and CEO of ANA Holdings. We expressed our concern at his appointment, especially as we felt corporate governance had been improving overall at the company. We asked for the criteria used by the nominations committee in the selection process. We voted against the appointment of Mr Katanozaka at the 2020 AGM and communicated our rationale to the company.

Stakeholder management in response to the covid-19 pandemic

HOW WE CONSIDER THE IMPLICATIONS OF THE COVID-19 PANDEMIC

Covid-19 has put social issues at the top of the agenda for governments and companies, as both have navigated through unprecedented challenges. For companies in particular, the pandemic put the often competing priorities of stakeholders in the spotlight. Despite the challenges of the global shutdown leading many companies to hold AGMs and engagement meetings remotely, we had numerous discussions on this topic with companies in industries as diverse as apparel and entertainment. In these discussions, we stressed companies need to act in a responsible way with regard to all stakeholders, including employees, customers and their supply chains. In two engagements, with Walt Disney and Land Securities, we reiterated our support for cutting the dividend. We focused on executive remuneration during these discussions, emphasising the importance, in our view, of management teams sharing the burden with employees who have been financially impacted by the pandemic. In our engagement with Hennes & Mauritz (H&M), we praised the company for its interactions with suppliers during the pandemic. While these conversations varied, given the different challenges facing the companies, there are a number of similarities, highlighting why it is important for companies to take social considerations into account.

CREST NICHOLSON is a housebuilder based in the UK and was founded in 1963.

Issues: Environmental, social – climate change, company strategy and stakeholder management in response to the covid-19 pandemic

We spoke with the CEO and COO in the second quarter of 2020 about the company's response to the covid-19 pandemic, reiterating our view that companies need to act in a responsible way with regard to all stakeholders, including employees, customers and their supply chains. The CEO talked through specific examples from the company's action plan, which illustrated its efforts in taking responsibility, especially in relation to its employees' well-being, such as engaging through a staff survey and keeping employees on full pay and benefits. Each member of the board also made a personal contribution of 20% of their salaries to various community charities. We discussed the challenges of an ongoing consultation into reducing the company's workforce, which the board had decided to delay due to the covid-19 lockdown.

We also discussed industry trends, such as the shift to sustainable sourcing and green housing and upcoming regulations such as the UK Future Homes Standard. We explained Ruffer's approach to climate change and why we believe it is important for companies to measure their greenhouse gas emissions and set targets in line with the goals of the Paris Agreement. Crest Nicholson has not yet set emissions reduction targets, and we asked the company what the key challenges to this have been and how it is working to overcome them. The company explained how, following a change in management in 2019, the board has established a sustainability committee, chaired by the CEO, to look into these issues and remains committed to setting greenhouse gas emissions reduction targets within the next two years. We are continuing to engage with the company on these matters.

Landsec

9

LAND SECURITIES is a property development and investment company based in the UK.

Issues: Social, governance – company strategy and stakeholder management in response to the covid-19 pandemic and CEO transition

The discussion with the new CEO in April 2020 focused mainly on the company's strategy and social issues in the context of the covid-19 pandemic. We discussed the new CEO's management experience and recognised some of the directions Land Securities could take. The CEO explained his thinking behind some of the ideas for a new medium to long-term strategy and the processes and analysis that will be used to determine this strategy. We welcomed the potential refresh in capital allocation and discussed shareholder returns policies in the medium to long-term. We also discussed the CEO transition process and recognised the various initiatives adopted to ensure continuous leadership at the executive and board level, while also managing challenges posed by the pandemic.

In terms of the company's response to the covid-19 pandemic, we reiterated our view that it is important companies act in a responsible way regarding their stakeholders. The CEO gave us several specific examples which illustrated the company's efforts in taking responsibility, especially in relation to its employees' financial well-being, including keeping them on full pay. The CEO explained they want to continue these efforts unless the situation changes drastically. The company also outlined other steps taken in relation to its customers, supply chain, wider community and the government, and we welcomed the company's positive efforts.

WALT DISNEY is a worldwide entertainment and media company. It was founded in the 1920s as a cartoon studio.

Issues: Social, governance – employee well-being, remuneration

The meeting focused on Disney's response to the covid-19 pandemic and the recent unrest in the US. We discussed some of the actions the company has taken in relation to its various stakeholders and the wider community. The Head of Investor Relations gave specific examples, including a new initiative within the company to encourage open and safe discussions about race. We talked about the steps Disney has taken to ensure employee well-being during the covid-19 pandemic. These included increasing some employee health benefits through its Inspire programme, conducting discussions with union leadership, paying employees for a number of weeks before the start of furlough and working with the government to ensure employees receive furlough benefits. We have previously communicated with the company that we believe it is important for Disney's management team to share the burden with the employees who have been financially impacted by the pandemic. We welcomed the base pay cuts the CEO and other Disney executives have taken and discussed the potential payouts for the long-term incentive plan (LTIP) this year. The Head of Investor Relations recognised our concerns over what would constitute an appropriate total compensation package and said they would take into consideration shareholder interests when the board sets the LTIP payouts. We reiterated that we felt the dividend cut was appropriate at this time, and we supported the decision.

We also discussed the board's engagement on social responsibility. We recognised Disney's initial efforts in benchmarking itself against its peers and its acknowledgment of the need to catch up with peers and investors' expectations. We expressed our interest in understanding its next steps and how the new and more targeted corporate social responsibility initiatives will look at Disney.

Company-specific engagement examples

In addition to the themes explored above, we often engage with companies on specific issues identified through our ESG analysis. We have included a selection of these here.

TESCO is the biggest supermarket company in the UK.

Issues: Governance – remuneration

Ahead of the 2020 AGM, we engaged with the Chair and another member of the board to understand the rationale for changing the peer group used to determine management remuneration. We expressed our concern about changes to the criteria for the remuneration policy, which had been approved by shareholders in 2018, and questioned why the decision was made to change it at this time. In addition, we wanted to understand the process the board adopted in making this decision. We discussed in detail the distorting effects Ocado was having on the peer group, the analysis the board had done on different options and how the decision was taken by the board as a whole.

When determining whether to support a remuneration policy or report, we assess a number of factors, including whether the quantum is reasonable given the performance of management. In this case, in recent years, the company has seen consistent improvements in its cashflow generation, operating profit and customer brand perception. In addition, the company has significantly reduced its debt. Therefore, while we expressed our concern over the retrospective changes to the peer group, we decided on balance to support the remuneration report. We stressed to members of the board that we hope they will constructively consult shareholders before revising the remuneration policy next year.

Livent

LIVENT is a lithium technology company, providing products for electric vehicles and energy storage, along with other industrial applications.

Issues: Environmental, governance – progress on sustainability policy formation and targets, data disclosure, board accountability

After our engagement with Livent in the fourth quarter of 2019, we initiated this call to follow up on the company's progress. Since the initial engagement, the company has published its inaugural sustainability report and launched a convertible 'green note', establishing a green bond framework which was audited by an independent third party.

As detailed in its sustainability report, in 2019 Livent exceeded or nearly achieved its targets for greenhouse gas emissions, energy intensity, water and waste intensity reduction across the board, five years ahead of schedule. The company has also been focusing on setting appropriate forward-looking targets, following its separation from FMC. Livent explained how it is focusing on the salient sustainability topics in the lithium industry, such as renewable energy, water intensity and social considerations (including local community impact and human rights). The company anticipates releasing these goals in early 2021. Alongside the focus on renewable energy, in the third quarter of 2020, the company announced its commitment to be carbon neutral by 2040, and we discussed how it is planning to meet this target. We also asked for an update on the 'cradle to grave' life cycle assessment, which it undertook in line with International Organization for Standardization standards, on its use of lithium hydroxide. The company completed the assessment in 2020 and is currently looking at how to communicate the findings, acknowledging demand from its stakeholders for this analysis.

On reporting and disclosure, we are encouraged by the company's progress on aligning with frameworks which will improve the transparency and information available to stakeholders. Livent is planning for its 2020 sustainability report to be fully compliant with the Global Reporting Initiative and aligned with the SASB framework, the TCFD and the UN's Sustainable Development Goals. The company is also looking at how it can further align its internal operations with the UN Global Compact, to which it is already a signatory. Finally, we discussed how board-level accountability of the company's strategy is established within the sustainability committee.

We look forward to continuing these discussions in 2021.

Engagement activities in 2020

Further examples can be found in the stewardship activities reports which we publish quarterly. Below is a list of companies which we engaged with in 2020. The reports are available at ruffer.co.uk/responsible-investing

Q1 engagement

Collaborative

Independent

COMPANY NAME	COMPANY SUMMARY	ISSUES DISCUSSED	TYPE
Equinor	EQUINOR (formerly Statoil) is a Norwegian energy company developing oil, gas, wind and solar energy in more than 30 countries worldwide.	Issues: Environmental, governance – climate change and remuneration	
Mitsubishi Estate Company	MITSUBISHI ESTATE is a Japanese real estate developer, focused on both office and residential properties.	Issues: Governance – cross-shareholdings, takeover defence measures and board effectiveness	
The Walt Disney Company	WALT DISNEY is a worldwide entertainment and media company. It was founded in the 1920s as a cartoon studio.	Issues: Governance– succession planning, board structure, lobbying and remuneration	
Whitbread	WHITBREAD owns and operates hotels and restaurants and is based in the UK. Its brands include Premier Inn, Beefeater and Brewers Fayre.	Issues: Governance – remuneration, succession planning and human resources changes	

Q2 engagement

Collaborative

Independent

COMPANY NAME	COMPANY SUMMARY	ISSUES DISCUSSED	TYPE
ArcelorMittal	ARCELORMITTAL is one of the world's leading steel and mining companies. It is headquartered in Luxembourg and is Europe's largest steel producer.	Issues: Environmental, governance – climate change, remuneration, trade association memberships	
Avacta Group	AVACTA is a bio-therapeutics and diagnostic company based in the UK.	Issues: Governance – strategy and capital structure	
Crest Nicholson	CREST NICHOLSON is a housebuilder based in the UK and was founded in 1963.	Issues: Environmental, social – climate change, company strategy and stakeholder management in response to the covid-19 pandemic	
Equinor	EQUINOR (formerly Statoil) is a Norwegian energy company developing oil, gas, wind and solar energy in more than 30 countries worldwide.	Issues: Environmental – climate change	
ExxonMobil	EXXONMOBIL is a multinational oil and gas company with upstream, downstream and chemicals businesses. The company is headquartered in the US.	Issues: Environmental, social, governance – climate change, stakeholder management in response to the covid-19 pandemic	
JPMorgan Chase	JPMORGAN CHASE is a global financial services firm.	Issues: Environmental, governance – climate change, succession planning, remuneration	

Q2 engagement

Collaborative

Independent

COMPANY NAME	COMPANY SUMMARY	ISSUES DISCUSSED	TYPE
Land Securities	LAND SECURITIES is a property development and investment company based in the UK.	Issues: Social, governance – company strategy and stakeholder management in response to the covid-19 pandemic and CEO transition	
Mitsubishi Electric	MITSUBISHI ELECTRIC is a Japanese industrial company that develops, manufactures and sells electronic equipment, including factory-automation and air-conditioning systems.	Issues: Social, governance – labour practices, data security, board structure	
Ocado	OCADO is an online grocery retailer, founded in 2000, headquartered in the UK and operating internationally. It is a leader in technology for online retailing, logistics and distribution.	Issues: Governance – board structure	
ROHM	ROHM is a Japanese electronics manufacturer.	Issues: Governance – board composition and structure, remuneration	
Tesco	TESCO is the biggest supermarket company in the UK.	Issue: Governance – remuneration	
The Walt Disney Company	WALT DISNEY is a worldwide entertainment and media company. It was founded in the 1920s as a cartoon studio.	Issues: Social, governance – employee well-being, remuneration	
Tokio Marine	TOKIO MARINE is a Japanese insurance company.	Issues: Governance – independence of directors	

Q3 engagement

Collaborative

Independent

COMPANY NAME	COMPANY SUMMARY	ISSUES DISCUSSED	TYPE
ArcelorMittal	ARCELORMITTAL is one of the world's leading steel and mining companies. It is headquartered in Luxembourg and is Europe's largest steel producer.	Issues: Environmental and governance – climate change, remuneration	
Crest Nicholson	CREST NICHOLSON is a housebuilder based in the UK and was founded in 1963.	Issues: Environmental, social and governance – sustainability policy	
Fuji Electric	FUJI ELECTRIC is a Japanese electrical equipment manufacturer.	Issues: Governance – director independence and cross-shareholdings	
Hennes & Mauritz	HENNES & MAURITZ GROUP (H&M) is a global fashion, accessories and homeware retailer with significant scale, operating stores in 73 countries.	Issues: Environmental and social – sustainability policy, supply chain management	
Mitsui Fudosan	MITSUI FUDOSAN is a Japanese real estate business.	Issues: Governance – board structure, cross-shareholdings and remuneration	
Newmont	NEWMONT is a gold producer operating mines in North America, South America, Australia and Africa. In 2019, Newmont and Goldcorp merged, creating one of the largest gold mining companies in the world.	Issue: Environmental and social – tailings dams	
ORIX	ORIX is a diversified Japanese financial services firm engaging in leasing, insurance, asset management, real estate and banking activities.	Issues: Governance – board structure and composition	
Royal Dutch Shell	ROYAL DUTCH SHELL is a global energy and petrochemicals company operating in more than 70 countries.	Issue: Environmental – climate change	

Q4 engagement

Collaborative

Independent

COMPANY NAME	COMPANY SUMMARY	ISSUES DISCUSSED	TYPE
ArcelorMittal	ARCELORMITTAL is one of the world's leading steel and mining companies. It is headquartered in Luxembourg and is Europe's largest steel producer.	Issues: Environmental, governance – climate change, remuneration and the 2021 AGM	
Centene	CENTENE is a US Managed Care Organisation.	Issues: Governance – succession planning, board structure, political contributions	
Crest Nicholson	CREST NICHOLSON is a housebuilder based in the UK and was founded in 1963.	Issues: Environmental, governance – sustainability strategy, board structure, succession planning, remuneration	
Fujitec	FUJITEC is a Japanese escalator and elevator manufacturer.	Issues: Governance – cross-shareholdings, takeover defence measure and board structure	
General Motors	GENERAL MOTORS is an American automobile manufacturer headquartered in Detroit.	Issues: Environmental, governance – low-carbon transition, lobbying, board structure	
Gold Fields	GOLD FIELDS is a gold producer that operates mines and projects in Australia, Chile, Ghana, Peru and South Africa.	Issues: Environmental, social – management of cultural heritage sites and First Nations and indigenous community relations, tailings dams, employee relations and stakeholder management during the covid-19 pandemic	
Hamamatsu Photonics	HAMAMATSU PHOTONICS is a Japanese semiconductor and imaging equipment manufacturer.	Issues: Governance – director independence, cross-shareholdings, board structure	

Q4 engagement

Collaborative

Independent

COMPANY NAME	COMPANY SUMMARY	ISSUES DISCUSSED	TYPE
Hennes & Mauritz	HENNES & MAURITZ GROUP (H&M) is a global fashion, accessories and homeware retailer with significant scale, operating stores in 73 countries.	Issues: Governance – director independence, shareholder communication	
Land Securities	LAND SECURITIES is a property development and investment company based in the UK.	Issue: Environmental – sustainability strategy, emissions reduction targets	
Livent	LIVENT is a lithium technology company, providing products for electric vehicles and energy storage, along with other industrial applications.	Issues: Environmental, governance – progress on sustainability policy formation and targets, data disclosure, board accountability	
Newcrest Mining	NEWCREST is one of the world's largest gold mining companies, with operations in Australia, Canada and Papua New Guinea.	Issues: Environmental, social – tailings dams	
Rubis	RUBIS distributes fuel, lubricants, liquefied gas and bitumen and stores bulk liquid products in Europe, Africa and the Caribbean.	Issue: Environmental – sustainability strategy, emissions reduction targets	
Tesco	TESCO is the biggest supermarket company in the UK.	Issue: Governance – remuneration	
Volkswagen	VOLKSWAGEN, which is headquartered in Germany, is one of the world's largest auto manufacturers.	Issues: Environmental, governance – low-carbon transition, culture, board structure	
Yara International	YARA is a global fertiliser and crop nutrition company based in Norway.	Issue: Environmental, governance – strategy and capital structure, sustainability strategy	

Why voting makes a difference

We take our voting responsibilities seriously. We review relevant issues and exercise our judgement, based on our in-depth knowledge of each company. The opportunity to vote enables us to encourage boards and management teams to consider and address areas we are concerned about or want to support.

We have detailed below how we exercise our voting rights and responsibilities with regard to our equity holdings. As our fixed income holdings are mainly government bonds, we do not have the option to vote.

WHAT HAVE WE COMMITTED TO?

Our policy on voting reflects both our investment objectives and our investment approach. It is Ruffer's policy to vote on AGM and Extraordinary General Meeting resolutions, including shareholder resolutions and corporate actions. We apply this policy to both UK and international companies, reflecting the global nature of our investment approach.

At Ruffer, we have defined a significant vote, with regard to the Shareholder Rights Directive II (SRD II), as any vote on a holding in our flagship funds. We vote on our total shareholding of the companies held within the LF Ruffer Absolute Return Fund, the LF Ruffer Total Return fund, Ruffer Total Return International, Ruffer Investment Company and the Charity Assets Trust. Voting on companies not held in these funds is subject to materiality considerations.[11]

11 Our Shareholder Rights Directive II (SRD II) policy is available at ruffer.co.uk/responsible-investing

HOW DO WE DO IT? 11 12

Ruffer has an internal voting policy as well as access to proxy voting research, currently from Institutional Shareholder Services (ISS), to assist analysts in their assessment of resolutions and the identification of contentious issues. Although we take note of proxy advisers' voting recommendations, we do not delegate or outsource our stewardship activities when deciding how to vote on our clients' shares. We have also co-filed shareholder resolutions where we felt this was the most appropriate course of action.

Our internal voting policy applies when we instruct a vote, regardless of which fund or pooled account holds the company, across all regions and operates on a 'comply or explain' basis. The policy includes criteria for determining whether a remuneration policy should be supported, along with criteria for determining independence and over-boarding of directors and the composition of board sub-committees. The policy also contains commitments to support resolutions requesting disclosures aligned with the TCFD and political, lobbying or trade association payments or donations.

Given our often material holding of Japanese companies over the last decade and the specific corporate governance considerations in that market, the policy also includes specific criteria for these companies.[12]

Research analysts review relevant issues case by case. Drawing on support from our Responsible Investment team and the accumulated knowledge of the company, analysts will make an informed judgement on how to vote. If there are any controversial resolutions, a discussion is convened with senior investment staff and, if agreement cannot be reached, there is an option to escalate the decision to the Responsible Investment Working Group, or subsequently the Chief Investment Officer. With complex issues, and those that could have a material effect on our investment theses, we request additional information or more in-depth explanations from the company. If we decide to vote against management, we try to communicate this decision to the company before the vote and provide the rationale for doing so.

12 Ruffer is a signatory to the Japanese Stewardship Code, our response is available at ruffer.co.uk/responsible-investing

For most of our clients, we exercise the voting rights on holdings in the portfolio in accordance with Ruffer's voting policy. However, we are able to facilitate clients' voting instructions on both segregated and pooled accounts, providing we have sufficient administrative capacity to do so.

Ruffer does not loan out stocks which we have custody for. Where Ruffer does not have custody for assets, stocks may be loaned out, depending on the arrangement made between the client and the custodian.

DISCLOSURE OF VOTING DECISIONS 12

Our voting decisions for our flagship funds – LF Ruffer Absolute Return Fund, LF Ruffer Total Return Fund, Ruffer Total Return International, Ruffer Investment Company and the Charity Assets Trust – are available at ruffer.co.uk/responsible-investing. On request, we can also provide clients with tailored voting reporting on a quarterly, biannual or yearly basis, which contains granular voting data, including at resolution level.

VOTING DATA 12

The 2020 aggregated voting data presented here comprises our votes across Ruffer funds and institutional and private client holdings. We have not included the limited instances where we have split the vote in a pooled fund in response to a client request.

The number of company meetings we have voted at has expanded significantly over the past few years: from 233 in 2017 to 278 in 2020. Ruffer voted against management on 207 resolutions in 2020, compared with 107 in 2017, an increase both in absolute terms and as a proportion of votes cast.

The majority of Ruffer's assets are managed either through our flagship funds or in segregated accounts managed to the same strategy. We estimate we voted on companies accounting for over 90% of our equity assets under management in 2020.[13] Due to a large number of legacy holdings of non-managed assets, which we hold mainly for private clients, we cannot commit to voting on all our holdings. These companies are held in separate accounts, and we do not cover these holdings from a research perspective.

VOTING BREAKDOWN 2020

Total items voted	3,094	%
For	2,869	92.7
Against	169	5.5
Abstain or withheld	56	1.8

13 Estimate calculated based on data from ISS and Ruffer. Using data from ISS for the meetings at which Ruffer did not vote in 2020, we calculated the proportion of Ruffer's assets under management these companies represented as at 31 December 2020

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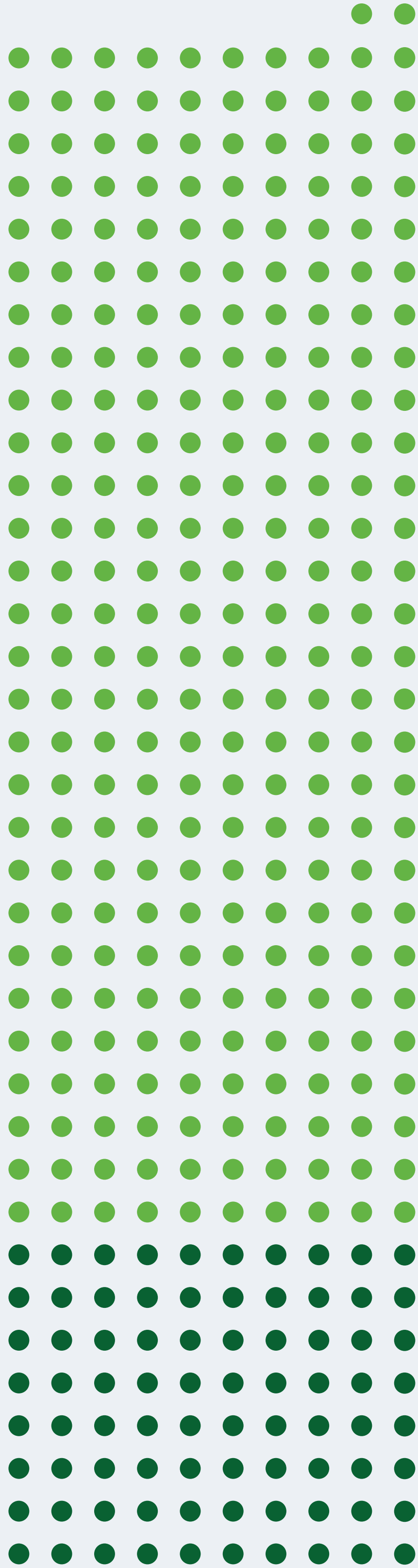
MEETINGS VOTED



90

MEETINGS WITH AT LEAST ONE VOTE AGAINST, WITHHOLD OR ABSTAIN

GEOGRAPHIC DISTRIBUTION OF MEETINGS


90 UK
1 SWEDEN
NORWAY 3
NETHERLANDS 1
1 GERMANY
2 FRANCE
LUXEMBOURG 5
SWITZERLAND 2
3 SPAIN
1 CYPRUS
3 CHINA
47 JAPAN
2 HONG KONG
10 SRI LANKA
1 SINGAPORE
2 MAURITIUS
19 AUSTRALIA
3 SOUTH AFRICA

Voting against management resolutions

VOTING IS A POWERFUL TOOL to encourage boards and management teams to consider and address areas we are concerned about, particularly if engagement has not been successful. We highlight our votes against management to demonstrate we make our voting decisions independently. We later discuss shareholder resolutions we supported against the recommendations of management.

In 2020, we voted against management predominately on issues relating to the independence and effectiveness of directors, remuneration policies and reports and capital structure. These companies varied in size, sector and location, from an American oil and gas company to a UK banking group. The following chart shows votes against management by type of resolution.

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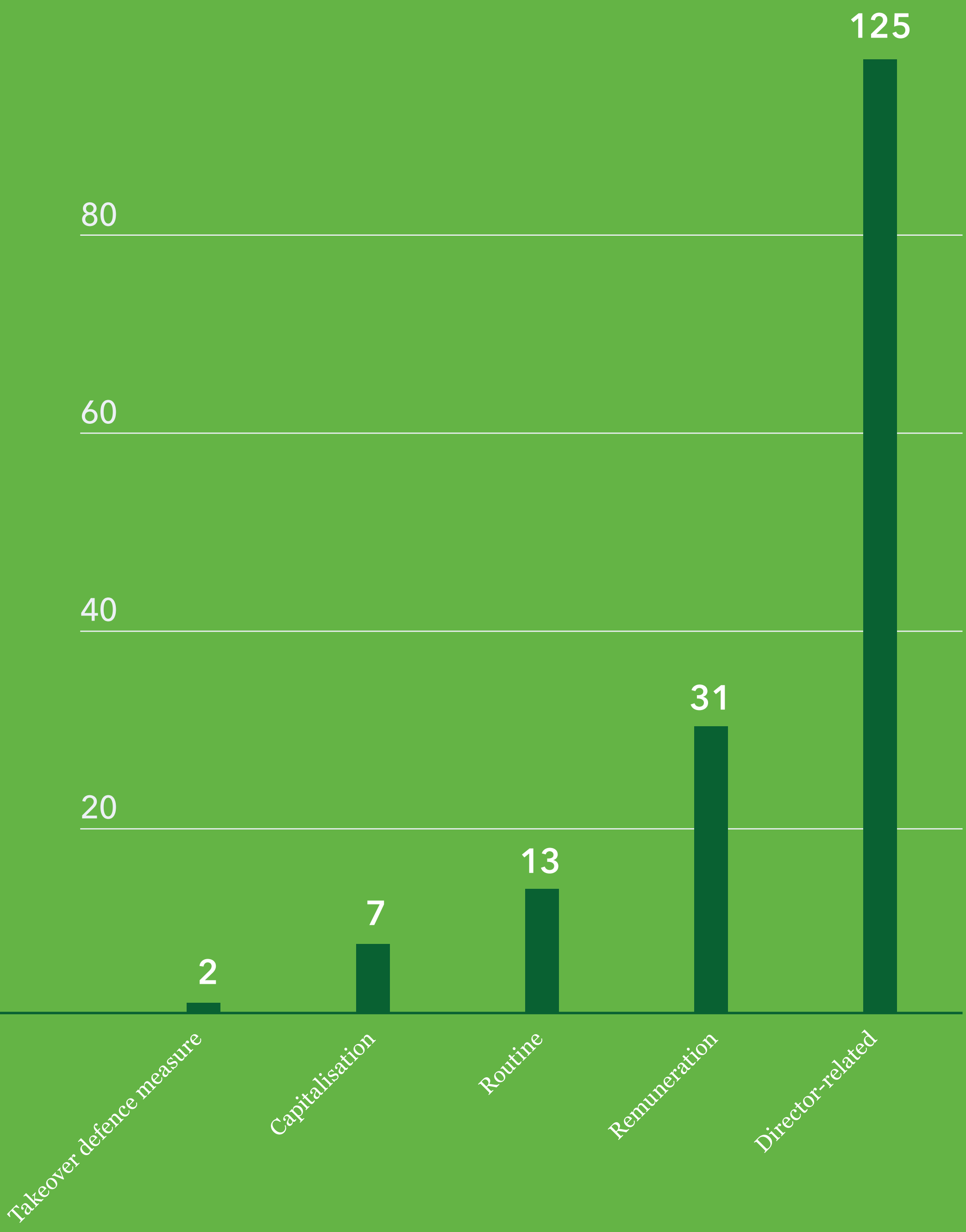
VOTES AGAINST MANAGEMENT RESOLUTIONS

VOTES AGAINST MANAGEMENT RESOLUTIONS



Non-executive directors, board structure and independence

WE THINK IT IS OF FUNDAMENTAL IMPORTANCE that the majority of every board's members are independent, to provide a robust oversight of, and counterbalance to, the company's management. One measure of independence is how long a director has served on the board, and we have incorporated this into our internal voting policy.

Taking into account the average tenure of members of the board, the regions where companies are domiciled and the sectors in which companies operate, we did not support the re-election of a number of directors in 2020 because of concerns they were not independent. We voted against the re-election of four directors at Aptiv, six at Cigna and four at National Oilwell Varco. The issue of board tenure is particularly significant in the mining sector, where we voted against the re-election of two directors at Barrick Gold, two at Newmont and five at Wheaton Precious Metals, and we will be engaging with these companies on this issue.

"One measure of independence is how long a director has served on the board, and we have incorporated this into our internal voting policy. "

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EXXONMOBIL is a multinational oil and gas company with upstream, downstream and a chemicals business. The company is headquartered in the US.

Issues: Environmental, governance – climate change

As in 2019, we voted against the re-election of all the non-executive directors at ExxonMobil, because we did not think they were representing the best interests of shareholders, owing to the slow progress of the engagement with the Climate Action 100+ initiative and the lack of progress in addressing climate change risks. More information can be found in the climate change section on page 36.

11 12

OCADO is an online grocery retailer, founded in 2000, headquartered in the UK and operating internationally. It is a leader in technology for online retailing, logistics and distribution.

Issues: Governance – board structure

We voted against the re-election of the Chair of the Board, who also serves as the Chair of the Nomination Committee, because we do not think there is a sufficient number of independent directors on the board and we believe the company is being slow to rectify the situation. We noted the assurances in the annual report that the structure of the board would be dealt with in the medium term, but we felt this issue should have been an immediate priority. We wrote to the Chair of the Board to inform him we would be voting against his re-election and to explain our concerns. This issue has now been partly addressed as the company announced in December 2020 that it intends to appoint Richard Haythornthwaite as a new non-executive Chair of the Board at the 2021 AGM, to replace Lord Rose.

Remuneration policies and reports

REMUNERATION CONTINUED TO BE OF INTEREST around the world in 2020, particularly in the US, where executive pay has traditionally been considerably higher than in the UK or Japan. It is Ruffer's view that a well-defined remuneration policy must link the performance and behaviour of management to a company's strategy and long-term value creation. This should be guided by the overarching principle of aligning the interests of management with stakeholders. We believe a company's executive remuneration policy is significant in setting the right tone at the top and can be an important driver of effective pay policies at all levels of a company.

At Ruffer, we analyse remuneration policies and reports and vote against them if we do not think they are appropriate. In 2020, we voted against management's proposals on remuneration at Lloyds Banking Group, Nexstar and Rakuten.

LLOYDS BANK

12

LLOYDS is a UK-based financial services group.

Issues: Governance – remuneration

We decided to vote against the proposed remuneration policy at the company because although it reduces the maximum payout at the time of the grant, it significantly relaxes the vesting criteria. Therefore, we did not think it incentivises management to deliver shareholder value.

NEXSTAR is a US local television and media company.

Issues: Governance – remuneration

We voted against the remuneration proposal, due to concerns over guaranteed variable remuneration and the lack of disclosure of performance metrics. We were also disappointed with the company's failure to respond to shareholders' concerns following a failed 'say-on-pay' vote in 2019.

RAKUTEN was founded in Japan in 1997 to help merchants begin selling online. It has grown into a group of leading consumer businesses spanning e-commerce, financial services and health care.

Issues: Governance – remuneration

We voted against the stock option plans proposal as there were no specified performance hurdles for the plans and proceeds could become exercisable in less than three years, after granting by non-retiring participants.

Voting for shareholder resolutions against management recommendation

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There were a number of instances where we voted for shareholder resolutions company management had recommended voting against.

POLITICAL CONTRIBUTIONS, LOBBYING PAYMENTS AND POLICIES

We engaged and voted on several shareholder resolutions requesting additional disclosure on political contributions and trade association memberships in 2020. At ExxonMobil's AGM in May, we supported two shareholder resolutions (voting against the recommendation of management) to request additional disclosure of the company's political contributions and lobbying-related expenditures and board-level oversight of this spending. We also voted for similar resolutions against the recommendation of management at Walt Disney's AGM in March, General Motors' and Activision Blizzard's AGMs in June. At all these AGMs, we supported shareholder resolutions on improving disclosure and governance of lobbying-related expenditures.

We believe it is important for investors to understand which organisations a company supports, and we will continue to put pressure on companies to improve disclosure and provide greater transparency. We have incorporated this theme into our internal voting policy, because we believe these disclosures enable us to make better-informed investment decisions.

CLIMATE CHANGE

We voted for shareholder resolutions on climate change, often alongside our engagement activities with companies, requesting targets to reduce greenhouse gas emissions and align their business models with the goals of the Paris Agreement. These resolutions can be a useful tool to improve the productivity of engagement with management, even if the resolution fails to win the support of a majority of shareholders.

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EQUINOR (formerly Statoil) is a Norwegian energy company developing oil, gas, wind and solar energy in more than 30 countries.

Issues: Environmental – climate change

We had a number of productive engagement discussions with the company, as we are a supporting investor in the Climate Action 100+ working group. We were encouraged by the commitments in the revised climate roadmap released in February 2020 – in particular, the pledges to reach carbon neutral global operations by 2030 and to reduce the net carbon intensity of energy produced by at least 50% by 2050. However, as it is widely agreed a 50% reduction is not sufficient to limit the increase in temperatures to 2°C above pre-industrial levels, we supported a shareholder resolution filed by Follow This, requesting the company publishes targets aligned with the goals of the Paris Agreement.

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JPMORGAN CHASE is a global financial services firm.

Issues: Environmental, governance – climate change

We supported a shareholder resolution requesting the company produces a report specifying "if and how it intends to reduce the [greenhouse gas] emissions associated with its lending activities in alignment with the Paris Agreement's goal of maintaining global temperature rise below 1.5°C." We stressed that, as a leading bank around the world, JPMorgan Chase should be striving to find solutions to these problems, and we would like to see a greater commitment from the company. Ruffer supported the shareholder resolution at the 2020 AGM, which was narrowly defeated. However, in October 2020, the company adopted a Paris-aligned financing commitment.

12

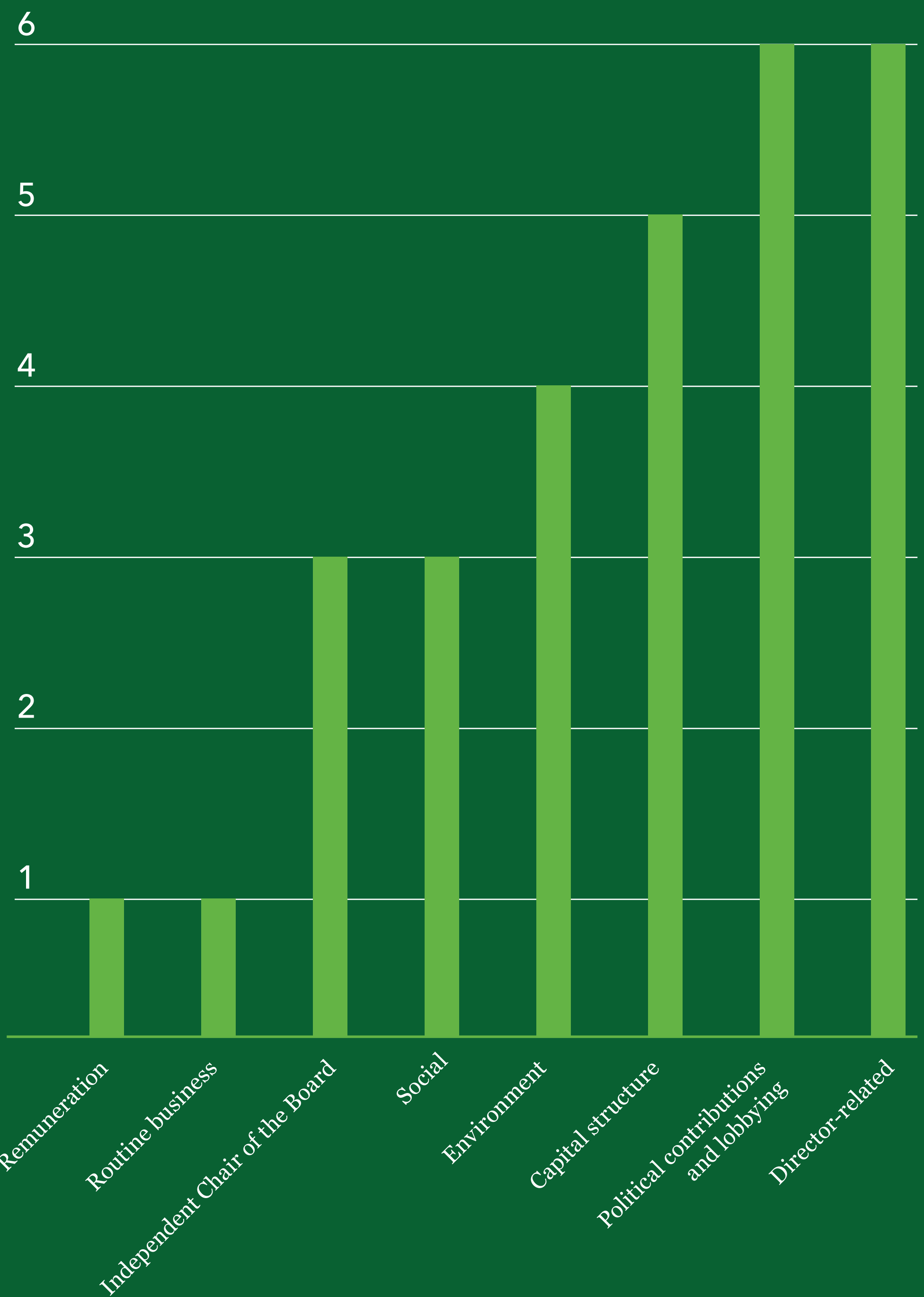
ROYAL DUTCH SHELL is a global energy and petrochemicals company operating in more than 70 countries.

Issues: Environmental - climate change

We engaged with the company on its medium and long-term ambitions to reduce its greenhouse gas emissions, which it tightened in April 2020. Specifically, the company now aims to reduce the net carbon footprint of the energy products it sells by 30% by 2035 and 65% by 2050, up from 20% and 50% respectively. While these ambitions are important, insufficient detail has so far been published to enable investors to understand how these emission reductions will be achieved. At the time of the AGM, this additional information was not available. Consequently, we decided to abstain on the Follow This resolution until we had more information to determine if the current targets are aligned with the goals of the Paris Agreement.

At the time of the announcement in April, the company stated more information would be available in September. However, this was then pushed back by six months, as the company was undertaking a strategy review. We pressed the company to release this information earlier if possible. The company set out its new strategy at the beginning of February 2021.

29 VOTING FOR SHAREHOLDER RESOLUTIONS AGAINST MANAGEMENT RECOMMENDATION



‘Say on Climate’ votes

12

AENA is a leading airport operator, based in Spain.

Issues: Environmental – climate change

We supported two resolutions to introduce an annual vote on Aena’s climate transition plan, which garnered shareholder and eventually board support. This is the first such measure to win shareholder approval. We are likely to see more Say on Climate votes filed in 2021 and would expect to support them, particularly where we believe there are long-term performance implications from the business proactively addressing climate change-related risks.

Thoughtful governance

2 3 5 8

HOW WE GOVERN RESPONSIBLE INVESTMENT AND STEWARDSHIP 2

Our Chief Executive is accountable for responsible investment and stewardship activities, while oversight of these activities is delegated to the Responsible Investment Working Group.

Ruffer's Chief Executive, Clemmie Vaughan, supports, oversees and represents responsible investment and stewardship matters on Ruffer's Executive Committee and Board. Our Chief Executive has delegated overall oversight to the Responsible Investment Working Group. The group was established in 2020 to ensure the robust integration of ESG considerations and effective stewardship.

The Responsible Investment Working Group is made up of senior Investment Directors, Research Directors and the Director for Responsible Investment. The group will determine the overall direction of our responsible investment strategy. It monitors the firm's responsible investment policies and processes, and the delivery and execution of responsible investment, including stewardship activities. The group scrutinises data submitted quarterly on voting and engagement, with a particular focus on climate-related metrics. Relevant information is regularly shared with our portfolio management leadership team and the Chief Executive.

The working group provides counsel when engagements, voting matters or ESG integration issues are escalated and, if necessary, refers them to our Chief Investment Officer or the Executive Committee. The group will agree overall ESG strategies, annual key priorities (including engagement themes) and affiliations with collaborative bodies. Additionally, the group will have oversight of and provide a sounding board for Ruffer's corporate social responsibility (CSR) activities, to avoid divergence between stewardship activities and corporate activities.

WHO DOES WHAT? RESOURCES FOR RESPONSIBLE INVESTMENT AND STEWARDSHIP ACTIVITIES 2

These activities are conducted by a number of individuals across the business, ensuring robust integration.

Our specialist Responsible Investment team is supported in both ESG analysis and stewardship activities by ESG champions from our portfolio management team and the analysts within the Research team. An ESG representative works with the Research analysts to conduct the ESG analysis. This helps ensure ESG analysis and stewardship activities are fully integrated into our investment process.

ESG CHAMPIONS AND RESPONSIBLE INVESTMENT WORKING GROUP MEMBERS

Responsible Investment team	Research team	Portfolio management – institutional team	Portfolio management – private client and charity teams	Support
Franziska Jahn-Madell* Director – Responsible Investment	**Des Brennan*** Research Director	**Alex Lennard*** Investment Director	**Harry Sevier*** Investment Director	**Christian Judge*** Operations Processing Manager
Alexia Palacios Analyst – Responsible Investment	**Simon Mountain*** Research Director	**David Benson*** Investment Director	**Rory Goodman** Investment Manager	**Victoria Powell** Regulatory Policy Director
Lorena Cebuc Associate – Responsible Investment	**Tristan Matthews** Research Analyst	**Jenny Renton*** Investment Director	**Rachel Holdsworth** Investment Manager	
	Melanie Miao Research Associate	**Alice Brader** Investment Manager	**Ben Crawfurd-Porter** Senior Investment Associate	
		Charalee Hoelzl Investment Manager	**India White-Spunner** Senior Investment Associate	

***Member of the Responsible Investment Working Group. More information on key investment staff is available at ruffer.co.uk/whos-who**

To ensure all research analysts and portfolio managers |understand ESG considerations, we have conducted in-house training since 2019. In addition, the ESG champions have completed at least one of the PRI Academy online training courses, which are currently being rolled out to the wider research and portfolio management teams.

HOW OFTEN DO WE REVIEW OUR POLICIES AND PROCESSES? 5

We review our policies and processes annually.

In 2020, a firm-wide review of our ESG and responsible investment activities was carried out by several groups focusing on clients and reporting, regulation and our investment process. Many of the areas these project groups have worked on are now in the implementation stage or have concluded. Others, such as the group incorporating the TCFD recommendations, are still working diligently. Our Responsible Investment Client and Reporting Group launched Ruffer's Quarterly Responsible Investment Report in the fourth quarter of 2020. These reports provide clients and other stakeholders with an insight into our ESG analysis and engagement and voting activities. They are available at ruffer.co.uk/responsible-investing.

In the Quarterly Stewardship Activities Report, we try to clearly explain the reasons we engaged and the outcomes achieved. We receive feedback from clients on these reports, which helps us to continually improve the reporting of our stewardship activities.

In 2021, we will deliver Ruffer's first TCFD report and support some clients in preparing theirs. We are currently analysing the EU sustainable finance regulations and how these will apply to Ruffer and our underlying funds. We are particularly focusing on the Sustainable Finance Disclosure Regulation (SFDR), while also preparing for the taxonomy and potential sustainability-related amendments to the delegated acts of MiFID II, UCITS and AIFMD.

Our policies and processes for responsible investment and stewardship are reviewed annually by the Director for Responsible Investment and are also approved by the Responsible Investment Working Group. As our stewardship activities inform our investment analysis and decision-making, the effectiveness of these activities is reviewed by senior members of the Research team. We conduct a regular audit to monitor our voting activities and ensure any issues are resolved. Given Ruffer's size, we have so far not sought external assurance on our policies and processes for responsible investment and stewardship.

DIALOGUE WITH OUR RESPONSIBLE INVESTMENT SERVICE PROVIDERS

We constantly monitor the data we receive from our service providers and often provide feedback.

We conduct spot checks on industry trends and issues and speak to companies about the quality of data published by service providers, such as MSCI ESG Research and ISS. We also compare the data and analysis of these service providers with our in-house analysis. On a number of occasions, we have relayed data issues to our providers. As we use the external research only as an input into our own analysis, rather than relying on specific ratings, we feel that having access to a variety of research methodologies adds to the depth of our analysis. We review our current relationships more formally on an annual basis and consider new providers when appropriate.

REMUNERATION AT RUFFER

Our incentives are structured to encourage long-term, sustainable investment returns and client relationships.

Ruffer is a partnership, owned by current and former members of staff. The partnership is broad and inclusive, encompassing leaders from the Research, Portfolio Management and Support teams. Partners have their capital at risk and are obliged to invest a material amount of their own money in Ruffer funds, alongside clients. The partnership structure aligns the interests of its members with those of its clients in seeking to achieve long-term, sustainable investment returns and client relationships. Partners are the guardians of our culture, responsible for exemplifying our commitment to excellent investment performance and service that put clients first. A partner's performance in relation to our purpose and firm priorities is an important determinant of their remuneration.

Ruffer is meritocratic and rewards are linked to performance, but no proportion of remuneration is directly tied to returns in client accounts. We do not have a short-term bonus culture, which reduces the moral hazard to clients' funds from managers taking undue risk in the hope of short-term reward. Additionally, there are no performance fees, which could encourage risk-taking, when absolute return should principally be about removing risk and preserving capital.

Our specialist Responsible Investment team's performance review is based on specific key performance indicators, such as the implementation of a responsible investment-specific training programme across large parts of the organisation and the delivery of a responsible investment communication strategy. The team's variable pay is also linked to these indicators.

HOW DO WE MANAGE CONFLICTS OF INTEREST? 3

Ruffer's policy is to act in the best interests of all our clients.

Ruffer is a partnership, and this structure aligns our interests with those of our clients. Our senior staff share in the long-term profitability of the firm, so they are interested in sustainable investment returns and client relationships. Where conflicts of interest on voting or engagement exist between Ruffer and/or a particular client and our wider client base, it is Ruffer's policy to act in the best interests of all our clients. In order to further reduce potential conflicts of interest, the justifications and the decision-making process on every item are clearly documented. In 2020, we did not identify any actual or potential conflicts of interest that could not be avoided or managed in a way that gave us reasonable confidence we could prevent risk of damage to the clients' interests.

"Our incentives are structured to encourage long-term, sustainable investment returns and client relationships."

Glossary

AGM
Annual General Meeting

CARBON FOOTPRINTING
The calculation of the total greenhouse gas emissions caused by a product or an organisation

CDP
A non-profit that runs a global disclosure system to provide investors and other stakeholders with data on how companies, cities and states are managing their environmental impacts

CIRCULAR ECONOMY
Where resources are continually used and waste is eliminated, in contrast to a linear economic model where resources are used and then disposed of

CLIMATE ACTION 100+
A five-year initiative, launched in December 2017, to engage with the world's largest corporate greenhouse gas emitters. The initiative, which is led by investors, has three high-level goals on climate-related matters: to improve governance, reduce emissions and increase disclosure. It is engaging with 167 companies. By the end of 2020, the initiative was supported by more than 540 investors, representing $52 trillion in assets under management[1]

CROSS-SHAREHOLDINGS
Reciprocal holdings of equity positions, often held to strengthen long-term business relationships between companies

DIVESTMENT
The act of selling the shares of a company in response to concerns over environmental, social, governance or ethical issues

ENERGY TRANSITIONS COMMISSION (ETC)
Brings together commissioners from a range of backgrounds, including highly carbon-emitting industries, to find ways to accelerate the energy transitions needed around the world to achieve the goals of the Paris Agreement (see below)

ENGAGEMENT
The process of continued dialogue with a company and other relevant parties, with the aim of influencing their behaviour on environmental, social or governance practices

ESG
Environmental, social and governance

EU ACTION PLAN FOR FINANCING SUSTAINABLE GROWTH
In response to recommendations from the High-Level Expert Group on Sustainable Finance, the EU Commission launched the EU Action Plan for Financing Sustainable Growth. The plan outlines 10 reforms in three areas: re-orienting capital flows towards sustainable investments; making sustainability a mainstream part of risk management; and fostering transparency and long-termism in financial and economic activity

EXCLUSION
An approach that restricts investment in certain sectors (such as the tobacco sector) or companies based on specific criteria, such as if a company derives more than a specified percentage of its revenue from gambling activities

EGM
Extraordinary General Meeting

1 climateaction100.org

FSB

The Financial Stability Board is an international body that monitors and makes recommendations about the global financial system to promote international financial stability

GREENHOUSE GAS EMISSIONS

This is the emission of gases that can absorb infrared radiation and therefore trap heat in the atmosphere, causing global temperatures to rise. These emissions can be classified as: scope 1 – direct emissions from the burning of fuels; scope 2 – indirect emissions from heat and electricity used; and scope 3 – all other indirect emissions

IIGCC

The Institutional Investors Group on Climate Change (IIGCC) is a collaborative platform for European investors to encourage public policies, investment practices and corporate behaviour that address the long-term risks and opportunities associated with climate change

INTEGRATION

The systematic inclusion of ESG considerations into investment processes and investment decision-making

JUST TRANSITION

An investor statement presented at COP 24 (Conference of Parties) of the United Nations Climate Change Conference in December 2018 at Katowice in Poland. The statement reflects the commitment in the Paris Agreement that the transition to a low-carbon economy needs to be 'both fast and fair' for workers and communities. Ruffer is a signatory to this statement, which has so far attracted support from 100 investors, representing $5 trillion in assets under management[2]

KPI

A key performance indicator is a metric often used in remuneration policies to assess a company's performance against a set of targets or objectives

LIFE CYCLE ANALYSIS

Determines the environmental impact of a product through all stages, from its manufacture to its use and finally its disposal or recycling

NATIONALLY DETERMINED CONTRIBUTION

A country's commitment to reduce its greenhouse gas emissions and details of how it intends to adapt to climate change, which are submitted every five years

NET CARBON FOOTPRINT

Total emissions from the production and use of energy products over their entire life cycle

NET-ZERO

When anthropogenic emissions of greenhouse gases into the atmosphere are balanced by equivalent removals from the atmosphere over a specified timeframe

PARIS AGREEMENT

A global agreement reached in December 2015 at the United Nations Climate Change Conference in Paris and ratified in October 2016 with the aim of limiting the global temperature rise this century to well below 2° above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°

2 London School of Economics (2018), report dated December 2018 shows it is vital for investors to support a just transition for workers

PRI

The Principles for Responsible Investment were launched in 2006. The Principles are voluntary and provide a number of different ways to incorporate ESG into a signatory's investment approach. By becoming a signatory to the PRI, investors commit to the following

1. We will incorporate ESG issues into investment analysis and decision-making
2. We will be active owners and incorporate ESG issues into our ownership policies and practices
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest
4. We will promote acceptance and implementation of the Principles within the investment industry
5. We will work together to enhance our effectiveness in implementing the Principles
6. We will each report on our activities and progress towards implementing the Principles

Ruffer is a signatory to the PRI as part of our commitment to responsible investment

RESPONSIBLE INVESTMENT

At Ruffer, we interpret responsible investment as the incorporation of ESG considerations throughout our investment process while behaving as active stewards of our clients' assets

SCENARIO ANALYSIS

This is a process of examining and determining possible events by considering various potential results or outcomes. With regard to climate change, it is a tool to understand better the potential implications of different increases in global average temperatures on a company's business, and to enable strategic thinking about long-term risks and opportunities

SCIENCE-BASED TARGETS

Targets adopted by a company to reduce its greenhouse gas emissions are considered science-based if they are in line with the level of decarbonisation required to achieve the goals of the Paris Agreement

SOCIAL LICENCE TO OPERATE

Exists when a company has the approval of its employees, the local community and other stakeholders to continue to operate in the region

STEWARDSHIP

Active engagement with a broad range of stakeholders and voting at company meetings

STRANDED ASSETS

These are assets that will not be able to earn an economic return for their full usable life. This can happen for a number of reasons including regulatory, economic or physical change and is particularly important in relation to conventional fossil fuel assets, due to the length of their usable lives

SDG

The Sustainable Development Goals are a set of 17 global goals with 169 targets, launched by the United Nations in September 2015. The goals form part of the 2030 Agenda for Sustainable Development. They are contained in paragraph 54 of United Nations Resolution A/RES/70/1 of 25 September 2015

TAKEOVER DEFENCE MEASURES

These measures can take a number of different forms, one of which is called a poison pill. Often, this allows a company to issue stock warrants at a discount, which dilutes the ownership of the company pursuing the hostile takeover. This makes a takeover more expensive and so less likely

TAILINGS DAMS

Physical structures used to store by-products from mining activities. Mined rock is ground and mixed with chemicals and water to extract the minerals and metals. Tailings are what is left once the minerals and metals have been extracted. They usually take the form of a slurry of fine particles but can be solid or liquid

TCFD

The Task Force on Climate-related Financial Disclosures develops climate-related financial risk disclosures for companies to enable the provision of consistent data to a variety of stakeholders including investors, lenders and insurers

TPI

The Transition Pathway Initiative is an asset-owner-led initiative that tracks and evaluates how companies are managing their greenhouse gas emissions, and the risks and opportunities arising from the transition to a low-carbon economy.

UNGC

The United Nations Global Compact (UNGC) is an initiative to promote responsible corporate citizenship, with ten principles on human rights, labour standards, the environment and anti-corruption

Contact us

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Has focused on ESG and responsible investment since 1999. In 2014, she joined Ruffer, where she has led the integration of ESG risks and opportunities in Ruffer's absolute return strategy and strengthened Ruffer's stewardship positioning and engagement efforts. Before Ruffer, she worked for a research provider for environmental, social and governance performance. 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 in Theology and an MA in Literature.

ALEXIA PALACIOS

Analyst, Responsible Investment

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Joined Ruffer in 2014 after graduating from the University of Cambridge with first class honours in Land Economy. Having gained experience in responsible investment while working with Ruffer's Charity team, she has specialised in this area since 2018. She has completed the PRI Academy Responsible Investment Essentials and Enhanced Financial Analysis courses and is a CFA charterholder.

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Joined Ruffer in 2020 after working at BlueBay Asset Management and London Stock Exchange Group, where she mainly focused on ESG and growing European institutional business. In 2017, she graduated from the University of Manchester with a BSc (Hons) in Mathematics with Finance and has completed the Investment Management Certificate.

FURTHER INFORMATION

The following documents are available at ruffer.co.uk/responsible-investing

- ESG and responsible investment annual reports
- Quarterly stewardship activities reports
- Quarterly responsible investment reports
- Responsible investment policy
- Engagement policy
- Voting policy
- Our response to the UK Stewardship Code
- Our response to the Japan Stewardship Code
- Climate change framework
- Our voting summary
- A selection of articles on responsible investment topics

RUFFER.CO.UK