Environmental, social and governance policy

Our approach

At Ruffer we interpret responsible investment as the incorporation of environmental, social and corporate governance (ESG) considerations throughout our research and investment processes, while behaving as active stewards of our clients' assets. We recognise that ESG considerations are important drivers of investment performance, representing both sources of value and investment risks. Therefore, incorporating these considerations into our investment approach forms an essential part of our responsibility to our clients. We believe that investing responsibly will lead to better long-term outcomes for our clients.

Ruffer became a signatory to the Principles for Responsible Investment (PRI) in January 2016 in order to strengthen our commitment to integrating ESG into our investment approach.

Integration

As an absolute return manager with a relatively concentrated portfolio of equity holdings, we endeavour to fully understand a company's risks and opportunities, including relevant ESG considerations. As we have one investment approach and conduct our own research, we are able to systematically integrate these considerations across our research and investment processes. Our decision to invest in companies is therefore based on both fundamental and ESG analysis which also informs our stewardship activities, including engagement and voting.

Our specialist responsible investment team partners closely with the analysts in our research team to identify and evaluate the material risks and impacts to the environment and society that could arise as a result of a company's operations. The risks associated with weak corporate governance practices are also considered. We use MSCI ESG Research and other relevant sources, such as the Sustainability Accounting Standards Board (SASB), Transition Pathway Initiative (TPI) and CDP to inform our analysis.

Our responsible investment team participates in weekly research team meetings where new stock ideas are discussed. ESG considerations are then raised at stock reviews within the research team and with portfolio managers. These considerations are not only important in company analysis but also in macroeconomic analysis, and hence issues such as water scarcity, energy and climate change are discussed routinely. We provide ESG training to our research and portfolio management teams frequently.

Stewardship

At Ruffer, we endorse the Financial Reporting Council's definition of stewardship in its proposed revision of the Stewardship Code as '… the responsible allocation and management of capital across the institutional investment community to create sustainable value for beneficiaries, the economy and society.'[1]

To act as responsible stewards of our clients' assets, we use our professional judgement to determine when to engage and how to vote at shareholder meetings to best protect the economic interest of our clients while being cognisant of the impact on all stakeholders.

Ruffer has supported the UK stewardship code since 2012 and our statement on the code is available from our website. In 2016, the Financial Reporting Council (FRC) categorised the stewardship code responses into three tiers. Ruffer's response was assessed as tier 1 meaning 'signatories provide a good quality and transparent

1 Proposed Revision to the UK Stewardship Code. Annex A – Revised UK Stewardship Code. January 2019

description of their approach to stewardship and explanations of an alternative approach where necessary.' In August 2015, we became a signatory to the Japan stewardship code as we felt it was aligned with the UK stewardship code.

Engagement

Ruffer believes that 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. Engagement gives us an opportunity to improve our understanding of investee companies, which enhances our investment decisions. 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 in turn increasing its awareness of regulatory and societal changes. This is likely to result in superior outcomes and returns for our clients.

We will engage on our own, or with other investors that share our concerns through collaborative initiatives such as Climate Action 100+, which was launched in December 2017 and to which Ruffer was a founding investor signatory. 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. The decision to collaborate on company specific matters will be judged on a case-by-case basis by the responsible investment team with input from research analysts and portfolio managers as well as the legal and compliance teams.

Ruffer engages regularly with the Investment Association and the Institutional Investor Group on Climate Change (IIGCC). Through our commitment to Climate Action 100+ we have collaborated extensively with other investors and asset owners to engage with a number of European and American companies, including making statements at Annual General Meetings (AGMs) and co-filing shareholder resolutions.

Voting

We take the opportunity to vote seriously, as it enables us to encourage boards and management teams to consider and address areas that we are concerned about. It is Ruffer's policy to vote on Annual General Meeting (AGM) and Extraordinary General Meeting (EGM) resolutions, including shareholder resolutions, as well as corporate actions. We apply this policy to both domestic and international shares, reflecting the global nature of our investment approach. We endeavour to vote on the vast majority of our holdings but we retain discretion to not vote when it is in our clients' best interests (for example in markets where share blocking applies).[2] For our flagship funds, it is our policy to vote on all holdings.

Research analysts, supported by our responsible investment team, review the relevant issues on a case-by-case basis and exercise their judgement, based upon their in-depth knowledge of the company. We have internal voting guidelines as well as access to proxy voting research, currently from Institutional Shareholder Services (ISS), to assist the analysts in their assessment of resolutions and the identification of contentious issues. Although we are cognisant of proxy advisers' voting recommendations, we do not delegate or outsource our stewardship activities when deciding how to vote on our clients' shares.

2 Share blocking restricts investors that intend to vote at an AGM or EGM from selling their shares for a specified amount of time

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 Head of Research or the Chief Investment Officer. We look to discuss with companies any relevant or material issue that could impact our investment. We will ask for additional information or an explanation, if necessary, to inform our voting discussions. If we decide to vote against the recommendations of management, we will endeavour to communicate this decision to the company before the vote along with our explanation for doing so.

It is not Ruffer's policy to disclose publicly its voting records in the same way it is not our policy to disclose publicly our holdings (except where required to do so for regulatory purposes), as we regard this information as confidential. We review Ruffer's voting results on a quarterly basis. We currently regard these processes as sufficient but we review the necessity of an external audit on an annual basis.

Ethical investment restrictions

Ruffer offers clients the possibility of incorporating their values and beliefs into our investment approach. We have offered the exclusion of particular sectors since 2006 and the implementation of bespoke ethical investment policies since 2009. One advantage of a segregated portfolio is the transparency it provides, and this gives comfort to our clients that we are investing in line with their ethical investment restrictions. We use a third party ethical screening and research provider who offers a wide range of exclusion criteria to ensure our clients' preference are met. As at 31 December 2018, we managed £1.1 billion for clients with ethical investment restrictions in more than 30 bespoke ethical investment policies using over 40 different ethical criteria.[3]

UK charities are able to invest in Ruffer's common investment fund, the Charity Assets Trust. The fund has an ethical screening policy which restricts investment in alcohol, armaments, gambling, pornography, tobacco, thermal coal and oil sands. In addition to this policy, potential and current investments in the fund are monitored regularly for their compliance with the UN Global Compact. We also monitor the fund's weighted average carbon intensity and the top five contributors on a quarterly basis and use this analysis to inform our engagements with investee companies.

Reporting

Since 2015 we have published an annual ESG report, which presents our approach to responsible investment and stewardship activities. The report includes aggregated quantitative and qualitative voting data with explanations of our voting rationale. It also includes detailed case studies in relation to our engagement activities and an overview of the engagement themes that were prevalent throughout the year. In our 2018 ESG Report we discuss how we have committed to the six principles of the PRI. Ruffer can also provide clients with specific information on stewardship activities.

3 Ruffer LLP data

Contact us

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Joined Ruffer in 2014 after working for 10 years at EIRIS, a research provider for environmental, social and governance performance, in several positions. Her last role as a Principal Research Analyst at EIRIS mainly focussed on corporate governance issues and criteria development. She graduated in 2003 from Frankfurt University with an MA in Theology and an MA in Literature.

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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 during the time she worked on 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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Further information

The following documents are available at ruffer.co.uk

- Voting policy
- Our response to UK Stewardship Code
- Our response to Japan Stewardship Code
- Climate change framework
- ESG reports, 2015–2018
- A selection of articles on ESG topics

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