Stewardship policy and response to Japan's Stewardship Code

Introduction

This document describes Ruffer's approach to stewardship and in particular how our policies and procedures meet the requirements of the Japan Stewardship Code.

Ruffer's overall approach

At Ruffer we interpret responsible investment as the integration of environmental, social and governance (ESG) considerations throughout our research and investment processes, while behaving as active stewards of our clients' assets. As an absolute return manager with a relatively concentrated portfolio of equity holdings, we believe ESG considerations are important drivers of investment performance, representing both sources of value and also investment risks. Therefore, fully 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. Where clients wish to impose restrictions on certain types of investment (eg alcohol, tobacco, armaments) the restrictions will be considered and agreed as appropriate.

Our policy with respect to responsible ownership reflects both our specific investment objectives and approach and the resources we can dedicate to these matters. Despite Ruffer remaining a modest sized institution within the context of global investment institutions, we devote considerable resource to investment research, monitoring and engagement with companies.

Japan's Stewardship Code

In February 2014, the Council of Experts Concerning the Japanese Version of the Stewardship Code issued a statement of seven principles which set out good practice for institutional investors' engagement with investee companies. It was last revised on 24 March 2020 and an additional principle was added. The principles state that:

1. Institutional investors should have a clear policy on how they fulfil their stewardship responsibilities, and publicly disclose it
2. Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it
3. Institutional investors should monitor investee companies so that they can appropriately fulfil their stewardship responsibilities with an orientation towards the sustainable growth of the companies
4. Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies
5. Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies
6. Institutional investors in principle should report periodically on how they fulfil their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries
7. To contribute positively to the sustainable growth of investee companies, institutional investors should have in-depth knowledge

of the investee companies and their business environment and develop skills and resources needed to appropriately engage with the companies and to make proper judgments in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies

8 Service providers for institutional investors should endeavour to contribute to the enhancement of the functions of the entire investment chain by appropriately providing services for institutional investors to fulfil their stewardship responsibilities

Ruffer's response to the principles of the Code

Ruffer supports the principles of the Japan Stewardship Code as a guide for good practice engagement with our investee companies. The Japan Stewardship Code is broadly compatible with our stewardship policy.

Principle 1

Institutional investors should have a clear policy on how they fulfil their stewardship responsibilities, and publicly disclose it.

Ruffer's approach

Ruffer's stewardship policy is described in this document which is available on our website at ruffer.co.uk and has been made available to the Financial Services Agency (FSA), Japan.

Ruffer's stewardship policy aims to provide a pragmatic framework through which it can

- exercise our ownership responsibilities appropriately
- monitor companies in which our clients' assets are invested
- intervene with those companies, when necessary, on issues that are likely to impact the interests of our clients, while being cognisant of the impact on all stakeholders

The policy is also intended to be sufficiently wide-ranging to reflect Ruffer's global approach to investment and thereby operate consistently across all markets in which it invests for clients.

Ruffer broadly supports the principles of the Japan Stewardship Code and has responded accordingly in our statement on the Code.

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

Principle 2

Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.

Ruffer's approach

Ruffer is a partnership owned by directors and staff. As a privately owned company we are less susceptible to some of the conflicts of interests that arise from being publicly listed or having a parent company engaged in other activities. 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.

Conflicts or perceived conflicts of interest which could arise in the context of stewardship include where

- the interests of one client of Ruffer conflict with those of another client of Ruffer
- Ruffer has obtained restricted information relating to a client, a potential client, a former client or to publicly traded securities which would be of value to another part of Ruffer or to other clients of Ruffer
- the interest of any employee or director of

Ruffer conflicts with the interests of a client of Ruffer or the interests of Ruffer LLP itself

Ruffer has a conflicts of interest policy which addresses how potential conflicts are identified, considered, managed and recorded. The policy forms part of each client's Investment Management Agreement.

The Compliance manual on conflict of interests includes how to record conflict of interest, the disclosure of conflicts of interest and escalations procedures. Whilst overall responsibility rests with the Management Board, the Compliance team is responsible for the ongoing maintenance, review and monitoring of the conflict of interest policy.

Should a conflict of interest arise, Ruffer will seek to manage it promptly and fairly.

Where a member of staff encounters a situation where they suspect a potential conflict of interest may exist, they should advice Compliance who will add it to the register including the measures to manage that conflict fairly and appropriately.

If the conflict is not specified in the conflicts of interest matrix or where Compliance believe the measures and procedures to manage that conflict of interest are inadequate, Compliance will advise on the course of action to be followed by the member of staff in the situation and consider whether the conflict should be added to the matrix.

Where the conflict of interest brought to Compliance's attention is material in nature, either by impact on the client or fund, potential value or potential reputational risk, Compliance will escalate it to the attention of the Executive Committee, which will then decide on the appropriate course of action.

The conflict of interest policy and procedures are reviewed on an annual basis by the Compliance department with assistance from other areas of the business as necessary. In addition, Ruffer has a detailed conflict of interest matrix which contains generic potential as well as actual conflict scenarios that we have identified and cross references them to specific policies and procedures.

The control framework outlined in the matrix is prepared and maintained by Compliance following discussions with the rest of the business, and is reviewed annually by Executive and Audit Committees.

Principle 3

Institutional investors should monitor investee companies so that they can appropriately fulfil their stewardship responsibilities with an orientation towards the sustainable growth of the companies.

Ruffer's approach

All companies Ruffer invests in for its clients are monitored by analysts on Ruffer's research team. Ruffer typically has in excess of 1,500 meetings with companies each year. There is an ongoing programme of meetings with board members. Discussions may include, but are not limited to, business strategy, acquisitions and disposals, capital raisings and financing operations, risk management, culture, board effectiveness and succession, shareholder rights, corporate responsibility, sustainability and remuneration.

Monitoring is oriented towards identifying potential problems at an early stage in order to minimise any loss of shareholder value by Ruffer's clients.

We monitor companies by

– engaging the board and senior management of investee companies directly, usually in 'one-

to-one' meetings at Ruffer's or the company's offices
- studying of company statements and third-party reports
- attending public meetings
- meeting with advisors and sell-side analysts
- the use of screening tools to assess governance and related risk indicators
- ad hoc reviews on a company specific, sectoral or thematic basis
- monitoring of corporate developments through news flow, such as press articles and company announcements

The processes for monitoring, engaging and escalation are undertaken by Ruffer's research team and responsible investment team and are overseen and monitored by the Investment Review Committee, which reports to the Executive Committee.

Ruffer may, from time to time, choose to become an 'insider' when on consideration of the circumstances it considers it prudent to do so in the interest of good stewardship and our clients. Internal guidelines and procedures are applied where Ruffer becomes an insider which is part of Ruffer's market abuse policy (owned by Compliance). It includes details of the policies and procedures to follow if a member of staff comes into possession of inside information. Staff are trained on Ruffer's market abuse policies including on the definitions of inside information and what to do after being told inside information (whether it is flagged as such or otherwise). As soon as a member of staff comes into possession of information they report this to Compliance, who maintain the stop list. Compliance add the stock(s) to the stop list and relevant restrictions are added to the portfolio management system to block trading. Staff are prohibited from disclosing inside information to non-Ruffer personal and are only allowed to share with colleagues if it is necessary to carry out their duties as a Ruffer staff member (with Compliance being informed of such situations).

The decision as to whether we should become insiders (ie to be in receipt of non-public price sensitive information on a company and hence unable to trade in the company's shares during that time) is taken on a case by case basis. As a general rule we are willing to be made insiders. However, we prefer to have a clear idea of when we will be released from being insiders and the information made public.

Our preference is to be insiders for as short a time as possible. When a security is added to our stop list, no fund manager is able to buy or sell the stock. This will also apply to personal dealing. Details of individuals to be contacted in such circumstances are provided at the end of this document.

Principle 4

Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.

Ruffer's approach

Direct communication with a company is a fundamental part of Ruffer's investment effort. We believe the key to engagement is constructive communication. Engagement gives us an opportunity to improve our understanding of investee companies and their governance structures and to better inform our investment decisions. It also lets us share our philosophy and approach to investment and corporate governance with portfolio companies and enhance their understanding of our objectives. We engage in a constructive manner and our aim is to build mutual understanding, not to tell companies what to do. We meet with executives and board directors and we engage with other shareholders where appropriate. We regularly monitor and engage with companies on matters that we perceive to affect their value such as, but not limited to, strategy, performance, risk, capital structure and ESG issues, including culture, board composition, succession planning, remuneration, environmental and social responsibility.

Ruffer's resources used for each engagement will be managed according to the circumstances and potential impact of each case. Intervention will generally begin with a process of enhancing our understanding of the company and helping the company to understand our position. The extent to which we would expect to effect change will depend on the specific situation.

If the outcome of this direct engagement is not satisfactory, Ruffer may consider escalation using a variety of different tactics with a range of stakeholders at the company including the investor relations team, management and/or non-executive directors. The particular approach that will be taken depends on the circumstances of each case and may change in light of progress by the company or other developments. It could include some or all of the following

- additional meetings with company management and/or non-executive directors
- withholding support or voting against management
- collaboration with other investors
- making statements at AGMs
- co-filing of resolutions at AGMs
- divestment of shares

Our annual responsible investment report illustrates our engagement activities, and includes examples of where escalation has occurred. As part of our commitment to the Institutional Investor Group on Climate Change (IIGCC) and the Principles for Responsible Investment (PRI), we have had discussions with a variety of stakeholders through industry initiatives, including policy makers, NGOs and think tanks.

There are occasions when collaboration with other investors may be the most productive way to engage. This could be in situations where other investors share our concerns or independent engagement has not produced a desirable 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. 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's responsible investment team engages regularly with formal and informal groups on ESG issues and facilitates Ruffer's involvement in collaborative engagements. For example, we support Climate Action 100+, the Transition Pathway Initiative and the Investor Mining & Tailings Safety Initiative.

Principle 5

Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.

Ruffer's approach

We believe in the power of engagement, but we have also found voting to be an effective tool if companies do not respond to our requests. 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. Ruffer's policy is 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 vote on our total shareholding of the companies held within our flagship funds, LF Ruffer Absolute Return Fund (RARF), LF Ruffer Total Return Fund (RTRF), Ruffer Total Return International (RTRI), Ruffer Investment Company (RIC), Charity Asset Trust (CAT). Voting on companies not held within these funds is subject to materiality considerations.

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, in general we do not delegate or outsource our stewardship activities when deciding how to vote on our clients' shares.

Principle 6

Institutional investors in principle should report periodically on how they fulfil their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.

Ruffer's approach

Ruffer's stewardship activities, including monitoring and engagement with companies and voting activity, are clearly recorded.

Ruffer can provide clients with client-specific information on voting, engagement and stewardship activities on request.

Our standard reports include

- a statistical summary of the number and types of resolutions we have opposed
- a detailed report listing all the resolutions we voted on in a client's portfolio
- a summary of our engagement highlights and key ESG issues over a quarter

We also publish quarterly and annual responsible investment reports, which showcase our stewardship activities in detail and are available on our website, ruffer.co.uk. The annual responsible investment report includes aggregated quantitative and qualitative voting data, an analysis of our corporate engagement activities and an overview of engagement themes which were prevalent throughout the year, detailed case studies in relation to our corporate engagement as well as ESG topics. Our research analysts contribute to the report by presenting a selection of companies that have shown to embed ESG and corporate social responsibility (CSR) into their business model.

At Ruffer we deem holdings in our flagship funds, LF Ruffer Absolute Return Fund (RARF), LF Ruffer Total Return Fund (RTRF), Ruffer Total Return International (RTRI), Ruffer Investment Company (RIC), Charity Asset Trust (CAT), as most significant. We vote on our total shareholding of the companies held within these funds. Voting on companies not held within these funds is subject to materiality considerations.

All voting decisions for these funds are disclosed annually on our website.

Ruffer does not participate in stock lending so recalling lent stock is not an issue, though some of our clients have chosen to do so through their custody arrangements. Where it is required to recall this stock, we would liaise with the client and custodian accordingly.

Principle 7

To contribute positively to the sustainable growth of investee companies, institutional investors should have in-depth knowledge of the investee companies and their business environment and develop skills and resources needed to appropriately engage with the companies and to make proper judgments in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.

Ruffer's approach

Ruffer has a long track record of investing in the Japanese market on behalf of our clients, and our fund managers and analysts have a wealth of experience of engaging with Japanese companies.

Our responsible investment team works closely with the research and portfolio management teams to help facilitate the integration of environmental, social, governance and sustainability issues into our investment decision making and engagement processes. Engagement meetings are often conducted by members of the responsible investment team and research team to ensure an in-depth discussion, focussing on the material issues specific to the company. We have engaged with Japanese companies and policy makers on a range of issues including the Sustainable Development Goals (SDGs), the implementation of the recommendations of the Task Force for Climate-related Financial Disclosure (TCFD) as well as other systemic issues such as cross-shareholdings, board effectiveness and diversity.

Principle 8

Service providers for institutional investors should endeavour to contribute to the enhancement of the functions of the entire investment chain by appropriately providing services for institutional investors to fulfil their stewardship responsibilities.

Ruffer's approach

Ruffer feeds back regularly to its service providers on a number of considerations including quality and accuracy of information, methodological issues and general service-related topics.

Principles for Responsible Investment

Ruffer supports and is a signatory to the Principles for Responsible Investment (PRI) as part of our approach to good stewardship. We believe that environmental, social and governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). Therefore, where relevant, we commit to the following principles

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

Contact us

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Further information

The following documents are available on our website at www.ruffer.co.uk

UK Stewardship Code
ESG policy
2019 report