

Stewardship activities in Q3 2019



ArcelorMittal

ARCELORMITTAL SA

Group meeting with Brian Aranha, Executive Vice President, and other senior colleagues

Issues: Environmental, governance – climate change, remuneration

The three lead investors for ArcelorMittal for the Climate Action 100+ working group provided feedback to the company on their first Climate Action report, which overall we were impressed with in terms of the range of topics it covered and the clarity and detail of the analysis. We welcomed the public disclosure of the low carbon projects currently being worked on and we pressed the company to include more information about the progress these projects are making and when key decisions will be made. The company spoke about how in the shorter term the focus is on energy efficiency, whereas longer term the focus is on breakthrough technologies and how quickly these can be developed. The company stressed that a supportive policy environment will be fundamental to scaling up these projects.

We followed up on the questions we raised at the annual general meeting (AGM) on the review of the company's memberships of trade associations, which Mr Lakshmi Mittal had committed to undertaking, to look at where there is a material misalignment between the policy of the company and that of the trade associations on the issue of climate change. We emphasised that disclosure and transparency around how misalignment was measured was really important along with the governance and oversight of these memberships. We pushed the company to release this report publicly.

We discussed targets to reduce greenhouse gas emissions in detail, given the company announced an ambition in its Climate Action Report to become carbon neutral in Europe by 2050 and that it will set a target for 2030 next year. We praised the company for the work it has done with the science-based targets initiative to create a methodology for steel companies, and stressed we would like the 2030 target to be science-based and achievement of the target should be included in executive remuneration.



EXXONMOBIL CORPORATION

Meeting with Neil Hansen, Company Secretary, Molina Albright, IR Manager

Conference call with Sherry Englande, Shareholder Relations Manager and other colleagues

Conference call with Darren Woods CEO, Steven Reinemund, Non-Executive Director, Angela Braly, Non-Executive Director, and Neil Hansen, Company Secretary

Issues: Environmental, governance – climate change, energy carbon summary report, plastics

We had several meetings and calls with Exxon representatives and followed up on points raised in previous conversations such as renewed commitments and targets beyond 2020 on methane flaring and the reduction of methane emissions, capital expenditure discipline aligned with a 2° pathway as well as more detailed disclosure on how climate change targets are integrated into executive remuneration.

We also participated in a Climate Action 100+ group call feeding back to the company on its 2019 Energy and Carbon Summary report. The feedback focused on increased disclosure in line with the Taskforce for Climate Related Financial Disclosure (TCFD) in particular the lack of disclosure of its greenhouse gas emissions in relation to its products (scope 3).



MITSUBISHI HEAVY INDUSTRIES

Meetings with Masanori Koguchi, CFO, and other colleagues

Issues: Governance – board independence and structure

We engaged with the company on the issue of the independence of directors, specifically which should be deemed to be truly independent given many are involved in companies linked by cross-shareholdings. We pushed the company to consider candidates from outside of Japan, particularly if there is a shortage of suitable candidates domestically. On the topic of cross-shareholdings, the company did reduce some holdings last year. We discussed the issues of the separation of the roles of CEO and Chair of the Board and the board structure, where the nominations and compensation committees, despite having a majority of external directors, are both chaired by the CEO.



TOKIO MARINE

TOKIO MARINE HOLDINGS

Meeting with Takayuki Yuasa, CFO, and other colleagues

Issues: Governance – board structure and remuneration

We discussed the recent move of the CEO to become Chair of the Board, and stressed our concerns about the Chair not being independent. The company has a traditional kansayaku board structure but the Chairs of both the nomination and compensation committees are independent, which we think is important. On remuneration, the determinants of performance based pay were discussed along with how compensation has recently been raised for the CEO and Chair. Given the level of compensation compared to the company's global competitors, we think this is justified.

WHITBREAD

WHITBREAD

Conference call with Deanna Oppenheimer, Chair of Remuneration Committee, and Chris Vaughan, General Counsel

Issues: Governance – remuneration

We participated in the consultation on the proposed remuneration policy. We questioned the company's rationale for increasing the quantum of overall pay to be more in-line with its FTSE 100 peers given it is now a smaller and more streamlined company following the completion of the sale of Costa. While we appreciate the need to have competitive remuneration to retain key executives, we think that it is important this is based on the appropriate peer group. We welcomed the reduction in the executive pension contribution rate to align it with the rate received by senior management, but we questioned why it was not being reduced to the rate received by the wider workforce. We also asked whether it was necessary for this reduction to occur over 3 years. Additionally, we questioned the rationale for moving the long-term incentive plan to a restricted stock plan at this point in the cycle, given the executives have benefited from benign market conditions over the last 10 years. We also stressed that we do not consider the current performance underpin to be stretching enough and discussed ways to better align this plan with the interests of shareholders.

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