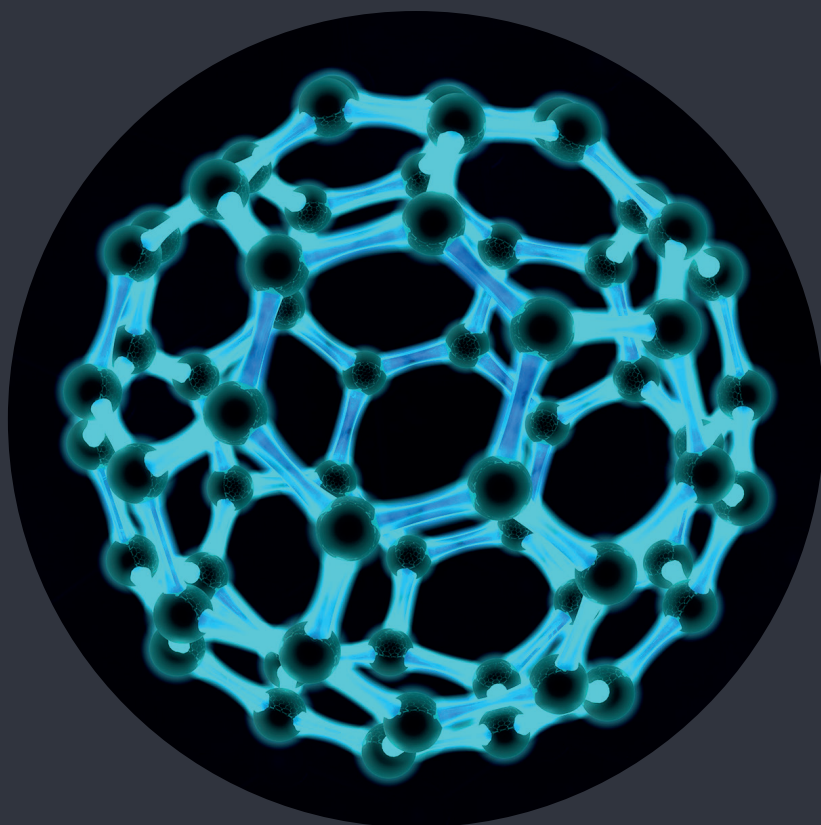


Responsible Investment Report



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Responsible investment at Ruffer

AT RUFFER, WE ARE COMMITTED TO BEING GOOD STEWARDS OF OUR CLIENTS' ASSETS.

To do that, and to generate good investment performance, we need to analyse environmental, social and governance (ESG) issues. They represent both sources of value and investment risks. Incorporating these considerations into our investment approach forms part of our responsibility to our clients.

Whether it's climate change or indigenous rights, executive pay or workforce safety, we believe our considered approach helps us make better investment decisions.

To the benefit of our clients' portfolios, the companies we invest in, society and the environment.

HOW WE DO IT

INTEGRATION

ESG risks and opportunities are considered as part of our investment process.

ENGAGEMENT

Directly engaging with companies is a part of our investment process.

VOTING

Equity investing comes with rights and responsibilities.

We take this seriously.

We are signatories and supporters of



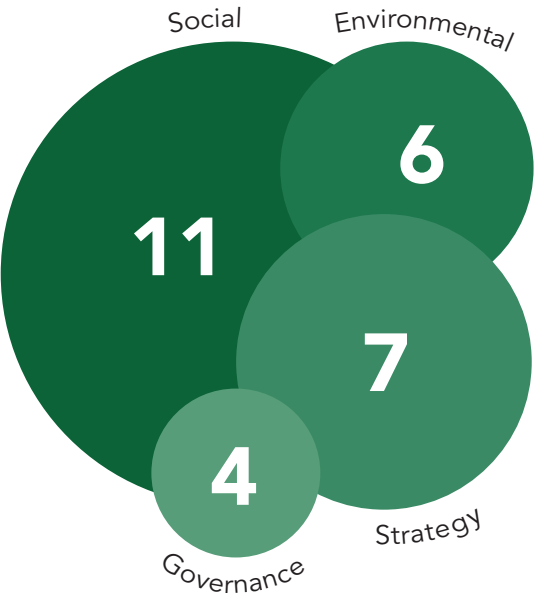
Overview of the quarter

IN THE FINAL CHAPTER OF *THE PERIODIC TABLE*, PRIMO LEVI IMAGINES THE LONG, CONVOLUTED LIFECYCLE OF A CARBON ATOM AS IT PASSES THROUGH VARIOUS ORGANIC AND INORGANIC STATES. After millions of years trapped in limestone, the atom is released as carbon dioxide, inhaled by a falcon, photosynthesised by a grape leaf, turned into wine and absorbed into a cedar before eventually coming to lodge in Levi's brain, where it prompts him to place the full stop at the end of his story. The process of decarbonisation may be in its relative infancy, but it already appears similarly complex and tortuous. As the geopolitical, ESG and meteorological climates evolve, the EU's Emissions Trading System (ETS) is under review, and two investor organisations prepared a statement calling for it to support policy credibility, industrial investment and energy security. To check whether the statement's principles should work in practice, we engaged with ArcelorMittal, which operates in one of the most carbon-intensive industries. That reassured us, and we signed the statement.

We also provided feedback on the draft framework from the Taskforce on Inequality and Social-related Financial Disclosures (TISFD). The framework seeks to cast a spotlight on human capital and wider social issues, helping investors better evaluate their crucial role in business performance. Among other things, we called for a greater focus on company-specific materiality and clearer, more consistent definitions and methodologies.

Our company engagements over the quarter included a meeting with BP's new CEO to check on the leadership team, employee incentives and any intended changes to the company's culture. We will keep a close eye on some key metrics and will follow up on the energy transition. We also met biotech company Novonesis to discuss its human capital management, climate-related decision making and sustainability disclosures. While we note several promising initiatives which are already under way, we may seek to engage further in other areas, such as integrating carbon pricing into investment decisions.

ENGAGEMENT ACTIVITIES THIS QUARTER



Stewardship activities

COMPANY	ATTENDEES	TOPICS DISCUSSED		
BP	CEO, Chief of Staff, Investor Relations	Board structure and independence/ effectiveness, employee compensation and benefits, company conduct, culture and ethics		 
Eagle Materials	Investor Relations, General Counsel, Associate General Counsel, Assistant Secretary	Transition to Net Zero, company conduct, culture and ethics	●	 
Enagás	Sustainability Director, Head of Investor relations	Company conduct, culture and ethics, reporting	●	 
INPEX	Investor Relations	Reporting	●	
JTEKT	Investor relations	Executive remuneration, company conduct, culture and ethics, reporting	●	  
Kobe Steel	Investor Relations, Sustainability team	Company conduct, culture and ethics, energy transition	●	 
Michelin	Investor Relations	Lifecycle impact of products, carbon emissions, corporate strategy	●	 
Novonesis	Investor Relations, Sustainability team	Lifecycle impact of products/services, transition to Net Zero, data disclosure, company conduct, culture and ethics corporate strategy/capital allocation	●	  
Redeia	Investor Relations, Sustainability team	Company conduct, culture and ethics, corporate strategy/capital allocation	●	 
Sumitomo Rubber	Investor Relations	Company conduct, culture and ethics, reporting	●	
Terna	Investor Relations, Sustainability team	Transition to Net Zero, company conduct, culture and ethics	●	 
Terna	Investor Relations	Stakeholder management, corporate strategy, company conduct, culture and ethics	●	  
Union Pacific Corporation	Sustainability Director, Corporate Sustainability Manager, Investor Relations	Energy transition, executive remuneration, employee health and safety, company conduct, culture and ethics	●	  



Environment



Social



Governance



Strategy



Included in our systematic stewardship strategy

Engagements in focus

BP

After another challenging period for longstanding Ruffer holding BP, we met new CEO Meg O'Neill to assess her plans for the business. Despite higher oil prices supporting debt reduction and balance-sheet improvement, investors remain concerned about leadership and execution. The engagement focused on O'Neill's vision, the management team's capabilities and how employees will be incentivised to drive operational improvements.

Objective: understand how well-positioned management is to drive improvements

The engagement provided some reassurance that management is well positioned to drive improvements at BP. The CEO believes the refreshed leadership team, in place since 1 August, has the experience and capabilities required to strengthen the balance sheet before pursuing growth. O'Neill's involvement in selecting the new chair, based on a broad set of criteria including a strong working relationship with her, should also support effective leadership and governance.

Objective: assess how employees will be incentivised to drive operational efficiency

BP provided limited reassurance on this topic. While management highlighted employees' intrinsic motivation, formal incentive structures have not been introduced across BP and are not currently a priority. Further engagement may therefore be required to understand how management will align employee behaviour and accountability with its efficiency objectives.

Objective: determine what elements of BP's culture the new CEO wants to change and how she intends to do so

O'Neill wants to retain BP's culture of care while addressing what she described as a "soft underbelly for accountability", which has limited performance discipline. She intends to create a stronger performance culture by establishing clearer lines of accountability, giving managers responsibility for their own P&Ls and introducing performance ranking across the workforce. She also plans to streamline back-office functions and reduce the overall cost base. We asked about the trade-off between cost-cutting and deteriorating operational safety. Management acknowledged the need to balance these changes with operational safety, targeting the elimination of serious injuries and an operational safety standard of at least 96% across upstream plants and refining operations.

Next steps

We intend to track pulse engagement surveys and other relevant indicators (including how they are being incentivised) to gauge employee buy-in to the changes being implemented at BP. We also plan to monitor management turnover and the quality of the board, as well as who fills the chair position.

Finally, we seek a follow-up for a more detailed discussion on the energy transition and BP's criteria for investing in this space, as well as which energy system sign posts they monitor to gauge the pace of the transition, and how this impacts capital allocation.

NOVONESIS

Formed through the 2024 merger of Novozymes and Chr. Hansen, Novonesis is a global biotechnology company. It is held within our heavy assets equity basket, which targets asset-intensive businesses with a low risk of obsolescence. The company's high asset intensity and resilient returns and gross margins indicate a degree of pricing power, which should support performance in a volatile inflationary environment. The engagement sought to assess its approach to human capital management, its climate-related decision-making and the credibility of its sustainability disclosures. We encouraged greater transparency on its marginal abatement cost curve (MACC), carbon pricing and R&D capital allocation, while exploring employee turnover, capability gaps, engagement effectiveness and the company's progress towards reasonable assurance.

Objective: understand how the company communicates its life-cycle assessment (LCA) findings to customers

Novonesis confirmed that assurance is important to the credibility of its LCA findings. Its dedicated sustainability analytics team and LCA specialists apply robust, ISO-aligned methodologies, while transparently communicating the underlying assumptions. The company avoids too specific claims (such as stating that a product will reduce waste by 1.5%) and believes LCA evidence supports more credible customer discussions than sales-led claims alone. Novonesis intends to continue investing in its LCA capabilities and agreed that assurance is particularly important for footprint claims, while acknowledging similar challenges with the quality of supplier disclosures.

Objective: encourage the publication of a marginal abatement cost curve (MACC)

Novonesis said it uses an internal MACC and the quality of its analysis is improving. The

company is purchasing electricity credits and exploring fuel-reduction credits, with a substantial proportion of the curve appearing to have a negative cost. While it considers its Scope 1 and 2 analysis reasonably robust, limitations in Scope 3 data currently impair its ability to use the analysis confidently in capital-allocation decisions.

The company welcomed the latest Science Based Targets initiative approach, particularly its greater focus on transition planning and links to financial markets. Novonesis intends to disclose more about the challenges it faces but remains reluctant to publish detailed underlying figures.

Objective: seek greater detail on employee turnover, employee engagement and critical capability gaps

Novonesis does not disclose R&D turnover separately but expects it to be below the company-wide rate of 11.7%. However, the company does not view all turnover as inherently negative, noting that a degree of employee movement can support organisational renewal and bring new skills and perspectives into the business.

On potential skills gaps, it identified digitalisation and growing demand for data skills as key capability challenges, as they require a broad range of specialised skills. Novonesis continues to invest in both basic and applied R&D, although balancing resources between these areas remains a consideration for management.

We asked how Novonesis measures the effectiveness of its efforts to improve employee engagement and assesses the relationship between engagement and financial performance. The company said it does not use a single formal metric to measure success, but it has observed a relationship between employee engagement and turnover. It also monitors indicators that

may affect innovation, including employees' understanding of strategy and management quality. However, there is not yet any attempt to link these indicators to financial outcomes. Novonesis said it views sustainability and employee engagement as contributors to building a stronger business.

Objective: encourage the company to progress towards reasonable assurance

After the merger, Novonesis achieved limited assurance for its first year of CSRD reporting, building on the differing assurance levels of the two legacy businesses. Given developments relating to the EU omnibus proposals, the company is not currently targeting reasonable assurance, although discussions continue with its auditors to assess the remaining gap and the investment required.

Novonesis is undertaking a significant programme to improve the quality of its fiscal year 2025 ESG data and to strengthen its social data through Workday and its consumption data through Intelix. Its immediate focus is on implementing appropriate controls across its systems, while assessing its longer-term data architecture, including the roles of Intelix, Workday and SAP. The company said the SAP integration is separate from the sustainability transformation referenced in the CFO's remuneration objectives, although SAP remains important to its future data landscape. While there is no formal timeline for achieving reasonable assurance, Novonesis may consider further investment if the remaining gap is manageable.

Objective: understand how the company's internal carbon price impacts decision making

Novonesis does not currently use carbon pricing directly in investment decisions. Its implicit carbon price is calculated retrospectively and thus has limited influence on capital

allocation. Instead, the company distinguishes between sustainability-led and financially led investments, allowing longer payback periods for sustainability projects.

Novonesis is exploring a shadow carbon price through a procurement pilot and expects to decide on its approach within nine months. We encouraged the company to apply shadow pricing to long-lived assets and link it to regional scenarios. Novonesis agreed that region-specific carbon prices would likely be required, while acknowledging that embedding carbon pricing into decision-making would require broader cultural change. The company expressed interest in learning from practices elsewhere and suggested revisiting its progress in six months.

R&D projects are assessed using net present value calculations and reviewed quarterly by a dedicated committee. Novonesis is increasingly requiring R&D teams to articulate the potential sustainability value of projects, with R&D and sales teams collaborating as projects advance towards launch.

Next steps

Novonesis is strengthening the quality and control of its sustainability data, investing in robust life-cycle assessment methodologies and verification, exploring shadow carbon pricing and further embedding sustainability considerations within R&D. These initiatives reflect the company's view that sustainability contributes to business value creation.

We intend to follow up with Novonesis to assess progress on establishing a clearer pathway towards reasonable assurance, strengthening the link between human capital indicators and financial performance, integrating carbon pricing into investment decisions, and improving Scope 3 data to support the analysis of decarbonisation opportunities.

Internalising externalities: engaging on the ETS

The Emissions Trading System is the EU's principal carbon-pricing mechanism. It places a cap on emissions from power generation, energy-intensive industry, aviation and maritime transport. Covered installations must surrender one allowance for every tonne of relevant emissions. Some industrial installations receive free allowances to reduce the risk that production moves to jurisdictions without an equivalent carbon cost, while other required allowances must be purchased or drawn from allowances banked from previous years. Over time, the emissions cap declines, allowances become scarcer and the resulting carbon price incentivises businesses to invest in lower-emissions production. Since its launch in 2005, emissions from covered sectors have fallen by more than 50%.

The ETS provides a long-term price signal that can support investment in clean technologies, while reducing the bloc's dependence on imported fossil fuels. This clear policy direction and stability allows companies to assess the returns from long-duration decarbonisation projects and helps investors to assess how well companies are positioned within these parameters.

The ETS was under review by the European Commission (EC) over the summer, with the Commission needing to balance the EU's 2040 climate target and policy stability against growing concerns about European industrial competitiveness, high energy costs and exposure to international competitors that may not face equivalent carbon costs. During this review, Ruffer supported a joint investor statement issued by the Institutional Investors Group on Climate Change (IIGCC) and the Principles for Responsible Investment calling for a

robust, predictable ETS that supports long-term policy credibility, industrial investment and energy security. The statement did not call for indiscriminate tightening, but asked policymakers not to dilute the ETS and to pair carbon pricing with effective measures to tackle carbon leakage and sector-specific barriers.

We signed this statement after extensive internal research and debate. We had also engaged with ArcelorMittal, Europe's largest steel producer, which helped us to evaluate whether the principles outlined in the statement addressed the concerns of Europe-based companies most at risk from a poorly designed ETS. We discussed with ArcelorMittal the need for a more effective and comprehensive Carbon Border Adjustment Mechanism and targeted support for heavy industry, as well as conditions and infrastructure that support the commercial viability of industrial decarbonisation. We concluded that the investor statement substantively addressed these concerns while maintaining the importance of a credible carbon-price signal.

After the EC's recent proposal for a revised ETS, which responded positively to some elements of the investor statement, we are now contributing to the IIGCC's EU Industrial Policy Working Group. This has so far involved assessing the proposal against the investor statement's six principles and developing recommendations for the European Parliament and EU member states. We will continue to contribute to the working group throughout the legislative process. Our main objective is to secure a balanced final framework that preserves a credible long-term carbon price, protects European competitiveness and supports companies making genuine, measurable investments in decarbonisation.

Making the invisible visible: responding to TISFD

The Taskforce on Inequality and Social-related Financial Disclosures is a global, multi-stakeholder initiative developing disclosure recommendations for businesses and financial institutions on their impacts and dependencies on people, and the related risks and opportunities. Its goal is to increase the visibility and usefulness of information on people-related issues, including inequality, recognising their potential implications for business performance, economic resilience and long-term value creation. In this way, TISFD could help investors identify and assess people-related externalities that are often poorly understood, difficult to quantify and not fully reflected in market prices. For example, it could help clarify how impacts on workers, consumers and communities can affect both companies' financials and wider systemic risks.

The first draft of the TISFD Framework, Beta Version 0.1, was published in May 2026. It provides conceptual foundations and draft disclosure recommendations structured around people-related impacts, dependencies, risks and opportunities, while seeking alignment with the International Sustainability Standards Board, the Global Reporting Initiative and the European Sustainability Reporting Standards. It is being developed through an open, iterative consultation process, with future versions expected to add areas such as metrics, indicators and implementation guidance.

We welcomed the framework's ambition to improve the consistency, comparability and usefulness of people-related disclosures, including its recognition of both company-

specific financial effects and wider systemic risks. We encouraged TISFD to place greater emphasis on company-specific materiality, so that businesses explain which issues are most relevant to their sector, region, business model and value chain. We also called for clearer methodological guidance on how investors could use disclosures to prioritise engagement, inform voting and escalation and monitor outcomes; more consistent definitions and methodologies for social metrics; clearer expectations for meaningful stakeholder engagement; and explicit mapping to existing standards, to minimise duplication. Given the framework is in its early stages, we supported phased implementation, starting with materiality, governance and priority actions before progressing to more extensive metrics and targets.

The consultation on Beta Version 0.1 closed on 31 July, and TISFD is reviewing the feedback to inform the framework's next iteration. TISFD plans to undertake a 90-day public consultation on its last draft before publishing its final recommendations in 2027. As the framework develops, it could provide a more consistent basis for our engagements on human capital and wider social issues, helping us assess company-specific materiality, challenge how businesses identify and manage people-related externalities, and monitor whether policies and processes lead to measurable outcomes. In the interim, we may use the beta framework as a reference point, while recognising that its metrics, targets and implementation guidance remain under development.

Further reading

RESPONSIBLE INVESTMENT AT RUFFER



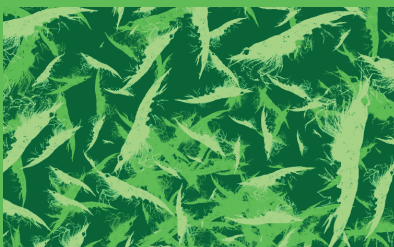
Q2 2026 RI REPORT



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