Engagement policy

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.

Our approach to responsible investment

At Ruffer we interpret responsible investment as the incorporation of environmental, social and 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.

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. Therefore our analysis and monitoring of companies focusses on its strategy, financial and non-financial performance and risk and its capital structure along with environmental, social and governance 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. Outcomes from our engagement and voting activities are also incorporated into our analysis of the companies and effect our investment theses.

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. We believe that stewardship is as much about responsible ownership as a considered approach to selecting companies.

Engagement

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

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. Engagement also lets us share our philosophy and approach to investing and corporate governance with a company, and enhances its understanding of our objectives. We will engage on our own, or with other investors that share our concerns through collaborative initiatives.

We continually monitor our engagement with companies, and will use a variety of methods to achieve our objectives. 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. 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, however, engagement or escalation are not restricted to our major holdings. Actions are considered and undertaken on the basis of protecting and enhancing the interests of our clients.

When an issue is identified, Ruffer will usually raise it directly with the company, often with the management or members of the board to enable frank and forthright discussions to take place. 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 IIGCC and the PRI, we have had discussions with a variety of stakeholders through industry initiatives, including policy makers, NGOs and think tanks. Our responsible investment team works closely with our Regulatory Policy Director in responding to policy consultations. Recently we have responded to a Financial Conduct Authority (FCA) consultation regarding shareholder engagement and two European Securities and Markets Authority (ESMA) consultations on the integration of sustainability risks in MiFID II. We have also engaged on these topics through Personal Investment Management & Financial Advice Association (PIMFA) and the Investment Association (IA).

Collaborative engagement

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 both Climate Action 100+ and the Transition Pathway Initiative.

ENGAGEMENT THEME – CLIMATE CHANGE

For companies that make a significant contribution to global greenhouse gas emissions, we are engaging to encourage them to adapt their business models to align with the transition to a low-carbon economy. We also appreciate the significance of discussing with these companies the importance of greater transparency with regards to climate-related disclosure as well as tangible targets for reducing greenhouse gas emissions. As concerns about climate change have intensified, the 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 this initiative, as well as being a member of the Institutional Investor Group on Climate Change (IIGCC). By becoming a signatory to Climate Action 100+, we acknowledged in our sign-on statement, 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 to transition to a lower carbon economy consistent with a goal of keeping the increase in global average temperature to well below 2°C above pre-industrial levels'.[1]

As part of Climate Action 100+, we are actively involved in the working groups engaging with a number of European and American companies. For those companies in which our clients' assets are invested that are not part of the Climate Action 100+ initiative, we are continuing to engage on a wide range of climate-related issues that we deem important. We are supportive of the IIGCC's shareholder resolution subgroup and we think that shareholder resolutions are likely to have an increasingly important role to play in the years ahead. We see shareholder resolutions as a useful communication tool when engagement has not been successful as it gives companies a clear picture of the preferences of their shareholders.

Voting

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.

For more information please refer to Ruffer's voting policy at ruffer.co.uk/responsibleinvesting.

Conflicts of interests

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 investment returns and client relationships that are sustainable. Where conflicts of interest on 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 eliminate potential conflict of interests, the justifications and the decision making process on items are clearly documented.

1 climateaction100.org