

# Environmental, social and governance policy

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## Introduction

Ruffer's aim is to preserve our clients' funds and generate consistent positive returns. We define our approach through two investment aims: not to lose money in any rolling twelve-month period, and to grow the funds at a higher rate, after fees, than the Bank of England's Bank Rate.

If we can achieve these objectives over the medium term, we hope to surpass any reasonable 'inflation plus' target. We should also do better than the average returns from the stock market, and with much lower volatility and risk.

This document describes how Ruffer exercises the rights and responsibilities attaching to equity securities in which clients' assets are invested.

On behalf of our clients, Ruffer has share ownership rights and exercising these rights, through company engagement and proxy voting, is part of our role in managing, protecting and enhancing the value of our clients' investments.

This policy aims to provide a pragmatic framework through which Ruffer can

- monitor companies in which we invest for our clients
- intervene with those companies, when necessary, on issues that are likely to impact the economic interest our clients hold through their investments

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 we invest for clients.

Ruffer supports the UK Stewardship Code and has responded accordingly in our statement on the Code (available from our website at [www.ruffer.co.uk](http://www.ruffer.co.uk)). In 2016, the Financial

Reporting Council (FRC) categorised the Stewardship Code responses in three tiers.

Ruffer's response was assessed as tier 1 meaning 'signatories provide a good quality and transparent description of their approach to stewardship and explanations of an alternative approach where necessary.'<sup>1</sup>

In August 2015, we became a signatory to the Japan Stewardship Code as we felt it was aligned with the UK Stewardship Code.

## Monitoring and analysis

Typically, companies Ruffer invests in for our clients are proposed and monitored by analysts on Ruffer's research team. Monitoring includes study of company statements and third party reports. Ruffer is also able to engage the board and senior management of investee companies directly, usually in one-to-one meetings.

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 actively seek to integrate environmental, social and corporate governance (ESG) issues into our investment process. We believe that ESG factors are often a signal of management quality, particularly over the long term. Ruffer follows a responsible investment approach by employing a dedicated manager for responsible investment and ESG issues. Our Manager-Responsible Investment partners closely with analysts in Ruffer's research team to help raise awareness of potential risks, such as exposure to companies that are more likely to face litigation.

<sup>1</sup> [www.frc.org.uk/Our-Work/Corporate-Governance-Reporting/Corporate-governance/UK-Stewardship-Code/UK-Stewardship-Code-statements/Asset-Managers.aspx](http://www.frc.org.uk/Our-Work/Corporate-Governance-Reporting/Corporate-governance/UK-Stewardship-Code/UK-Stewardship-Code-statements/Asset-Managers.aspx)

## Engagement

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, we communicate with the company's advisors and we engage with other shareholders where appropriate. We regularly monitor and engage with companies on matters such as, but not limited to, strategy, performance, risk, capital structure and ESG issues, including culture, board composition, succession planning, and remuneration, environmental and social responsibility that we perceive to affect their value.

Resources utilised 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.

## Stewardship and voting

Active stewardship enables investors to provide feedback to the board, while encouraging board and management teams to consider and address investor concerns.

We review local best practices and corporate governance codes when voting clients' shares, and actively consider companies' explanations for not complying with best practice, to ensure we vote in the best interests of our clients. We will vote against a company's proposals if engagement fails to resolve our concerns.

It is Ruffer's policy to vote on AGM or EGM resolutions and corporate actions where Ruffer's clients have a material interest in the company, and/or the value of the holding is material to Ruffer's clients (unless voting is not in clients' best interests, for example, in markets where share blocking applies or where, after due consideration, not casting a vote is the preferred course of action). Ruffer will normally vote on corporate actions where it is necessary to do so.

Ruffer applies this policy across all shares held, both domestic and international, reflecting the global nature of our investment approach. We often vote in other circumstances if we deem it to be in our clients' best interest. Where it makes intervention more effective, Ruffer may engage with other shareholders in the investee company, either to decide or implement a course of intervention.

There are occasions when collaboration with other investors may be the most productive way to engage. This could be in situations where independent escalation has not produced a desirable outcome, or during times of significant corporate or economic stress.

Ruffer is open to working alongside other organisations 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 our Manager–Responsible Investment, with consideration and input from analysts, fund managers and the Legal or Compliance team.

Collective engagement can also provide a platform to engage on wider sector, regulatory and policy matters with investors and other stakeholders.

Ruffer engages regularly with the Investment Association and is a signatory of the United Nations Principles for Responsible Investment (UNPRI), the Carbon Disclosure Project (CDP) and is supporting the Transition Pathway Initiative (TPI).

In gathering information and making our final voting decisions, we place great value in engaging with companies and their advisers. Each analyst is responsible for reviewing the relevant corporate

governance issues on a case-by-case basis and exercising their best judgement based upon their deep knowledge of the company. We view each proxy voting decision as an opportunity for analysts to gain additional insight into companies.

Voting records are made available to clients on request. It is not Ruffer’s policy to disclose publicly our voting records, in the same way it is not policy to disclose publicly our holdings (except where required to do so for regulatory purposes) as we regard this information as confidential.

However, on our website we publicly disclose aggregated voting data in our annual ESG report analysing the number of against and abstain votes. We also disclose case studies on specific voting outcomes and corporate engagements prior to AGM.

#### Ethical restrictions

Where clients wish to impose restrictions on certain types of investment (eg alcohol, tobacco, armaments), the restrictions will be considered and agreed as appropriate. Ruffer subscribes to, and uses, software provided by EIRIS, a research organisation for ESG data, where appropriate, to screen companies to ensure their activities are consistent with clients’ specific investment restrictions.

# *UN Principles for Responsible Investment*

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Ruffer supports and is a signatory to the UN Principles for Responsible Investment (UN 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](http://www.ruffer.co.uk)

UK Stewardship Code  
Japan Stewardship Code  
2015 ESG report

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