Charity Assets Trust
Responsible Investment policy

Ethical investment restrictions of the Charity Assets Trust

The Charity Assets Trust ('the fund') adopts a responsible investment approach and certain ethical investment policy restrictions in relation to the asset allocation of the fund. The fund has a screening process which aims to restrict investment by the fund in the sectors outlined in the table below. Those criteria in italics denote additions or a change in the ethical screening criteria for the fund, as of January 2019.

Area	Criteria	Definition
Adult entertainment	*3% of revenue*	*Companies which have derived over the past year more than 3% of their revenue from adult entertainment*
Alcohol	10% of revenue	Companies which have derived over the past year more than 10% of their revenue from alcohol-related business activities
Carbon and fossil fuels	*10% of revenue*	*Companies which have derived over the past year more than 10% of their revenue from oil sands or thermal coal*
Defence and weapons	10% of revenue	Companies which have derived over the past year more than 10% of their revenue from weapons systems, components, and support systems and services
	10% of revenue	*Companies which have derived over the past year more than 10% of their revenue from the manufacture and retail of civilian firearms and ammunition*
	Exclude	Companies which manufacture cluster munitions systems, components or delivery platforms
	Exclude	*Companies which manufacture landmines*
	Exclude	*Companies which are involved in the production of depleted uranium weapons, ammunition or armour*
	Exclude	*Companies which manufacture biological or chemical weapons systems or components*
Gambling	10% of revenue	Companies which have derived over the past year more than 10% of their revenue from gambling-related business activities
Tobacco	10% of revenue	Companies which have derived over the past year more than 10% of their revenue from tobacco-related business activities

Ruffer uses the services of a third party responsible screening and research provider to ensure compliance with ethical investment restrictions. Ruffer shall use its best endeavours to ensure that, at the time of investment, no direct investment is made in entities which fall into one of the above classifications.

For the purpose of the restrictions listed above, Ruffer shall be deemed to have exercised its 'best endeavours' if a pre-trade enquiry and a quarterly post-trade fund screening against the data from the third party ethical screening and research provider is carried out.

If the quarterly post-trade screening reveals that any holdings fall within the restrictions listed above, due to changes in classification by the third party ethical screening and research provider, Ruffer will sell the holding within three months.

These restrictions supersede any previous restrictions in place.

Should Ruffer change ethical screening and research provider in the future, we will replicate the above restrictions as closely as is reasonably practicable. However Ruffer also reserves the right to make changes to this policy, including the restrictions themselves, from time to time.

Ruffer's commitment to Responsible Investment

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 environmental, social and governance (ESG) considerations. As we have one investment approach and conduct our own research, it has been possible to systematically integrate these considerations across our research and investment processes.

Our responsible investment team partners closely with the analysts in our research team to raise awareness of the risks and impacts to the environment or society that could arise as a result of poor management of a company's operations. The risks associated with a weak corporate governance framework are also considered.

Members of our responsible investment team participate in the weekly research team meeting where new stock ideas are discussed. ESG considerations are then raised, where relevant, at stock reviews within the research team and with portfolio managers, as well as being included in the stock note. As ESG risks and opportunities continue to evolve, these will also be raised in periodic conviction reviews.

ESG considerations are not only important in stock selection but also contribute to macroeconomic analysis and so issues such as water scarcity, energy and climate change are discussed regularly.

Ruffer has supported the UK Stewardship Code since 2012 and our statement on the Code is available from our website. In 2016, the Financial Reporting Council (FRC) categorised the Stewardship Code responses into 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.' In August 2015, we became a signatory to the Japan Stewardship Code as we felt it was aligned with the UK Stewardship Code.

In 2016 we strengthened our commitment to shareholder responsibility and stewardship by becoming a signatory to the UN-supported Principles for Responsible Investment (UN PRI). The UN PRI has received endorsement from over 1,800 global investors. The principles provide a framework for investors to give consideration to ESG issues. Ruffer engages regularly with the Investment Association and we are an active supporter of the Transition Pathway Initiative (TPI), an asset owner led initiative, which assesses how companies are preparing for the transition to a low-carbon economy. We have used the initiative's assessment to engage with companies in the fossil fuel sector. We have become a member of the Institutional Investors Group on Climate Change (IIGCC) which will enable us to join more collaborative engagement initiatives on environmental and climate change issues and are a founding signatory to Climate Action 100+.

Stewardship policy for the Charity Assets Trust

Voting

We will vote on all shareholdings held in the fund. We review local best practices and corporate governance codes when voting on shareholdings, and actively consider companies' explanations for not complying with best practice.

Engagement

Engagement is the process of continued discourse with companies and other relevant parties, with the aim of understanding material ESG risks and challenging the company's behaviour in relation to ESG considerations. Engagement gives us an opportunity to improve our understanding of investee companies and to better inform our investment decisions.

Carbon metrics

The ratification of the Paris Agreement to limit the rise in global temperatures to, at most, 2° above pre-industrial levels in 2015 was a significant step in the transition to a low carbon economy. This transition will create both significant risks and opportunities for a large number of sectors. We therefore think it is prudent to monitor these risks and we have chosen the weighted average carbon intensity metric to assess the fund. This metric was recommended by the Task Force on Climate-related Financial Disclosures and measures a portfolio's exposure to carbon-intensive companies. It allows for decomposition and attribution analysis and so we can identify the largest contributors to this metric. We will monitor the fund's weighted average carbon intensity and the top five contributors on a quarterly basis and will use this analysis to inform our engagements with investee companies.

We think we can have a positive impact through voting and engagement with companies and so, at this stage, we do not think divestment from sectors is required. We believe that by attaining higher levels of disclosure the risks can be better modelled and understood. However, there are certain parts of the fossil fuel sector, most significantly companies that derive a significant amount of their revenue from oil sands and thermal coal which have such severe environmental impacts that we think divestment is appropriate.

ESG metrics

We believe that addressing environmental, social and governance issues are important to the long-term performance of a company. Therefore, we will monitor the ESG rating, as determined by our third party ethical screening and research provider, of all holdings within the fund on a quarterly basis. For companies we hold within the fund with an ESG rating of B or CCC, we will engage with the company to ask for more information to better understand the issues raised.

United Nations Global Compact

The United Nations Global Compact comprises ten principles guiding corporate behaviour in the following areas: human rights, labour, the environment and corruption.

Our third party screening and research provider analyses a company's activities in relation to these principles. A company is deemed to have failed to comply with the United Nations Global Compact if it is implicated in one or more controversy cases where there are credible allegations that the company or its management inflicted serious large scale harm through negligence or disregard for the law and/or international norms of behaviour.

We believe in the importance of these principles, so we are committed to monitoring this on a quarterly basis and engaging with companies in the fund which are deemed by our third party screening and research provider to fail to comply with the principles of the United Nations Global Compact.

Reporting

Ruffer publishes an annual ESG report which is available on our website. The report includes an overview of engagement themes which were prevalent throughout the year, aggregated qualitative and quantitative voting data and an analysis of our corporate engagement activities. From 2018, we will publish an annual ESG report for the fund which will be available on request.

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