



Stewardship activities



Q2 2021



ArcelorMittal

ARCELORMITTAL is one of the world's leading steel and mining companies. It is headquartered in Luxembourg and is Europe's largest steel producer

Climate Action 100+ meeting with Annie Heaton (Head of Sustainability Dialogue and Disclosure), Nicola Davidson (Communications), Brad Davey (Executive Officer and EVP), Javier Bonaplata (Head of Strategic Projects) and other senior colleagues.

Issues: Environmental - climate change

The Climate Action 100+ working group engaged with ArcelorMittal ahead of the AGM in June. In September 2020, the company announced a target to be net-zero by 2050 across its global operations and we discussed this commitment in the context of other developments in the steel industry. We also addressed the Climate Action 100+ Net-Zero Benchmark which assesses the performance of focus companies against the initiative's three high-level goals: emissions reduction, governance and disclosure, and discussed the company's priorities in meeting this. ArcelorMittal was positive the assessment of its climate lobbying disclosure should improve imminently. When asked about the outstanding Climate Change Report, we were assured that this will be published in

the second half of 2021 and will include a response to the Climate Action 100+ Net-Zero Benchmark.

We also received an update on other projects the company is involved in, including the Net Zero Steel Pathway Methodology Project, the IIGCC steel roundtable, the Science Based Targets initiative and the Mission Possible Partnership.

Finally, the company discussed the changes and progress made with regards to climate change since Aditya Mittal succeeded Lakshmi Mittal as the CEO in February 2021. Aditya Mittal has been proactive in addressing climate change issues at the Energy Transition Commission and the World Economic Forum.

We will continue to engage with ArcelorMittal on its progress the Climate Action 100+ Net-Zero Benchmark, focusing on climate-related lobbying, governance (in particular, remuneration) and medium-term greenhouse gas emissions reduction targets as our core priorities. We also plan on supporting the company to make its climate transition plans available at the 2022 AGM for an advisory 'Say on Climate' vote.

BAE SYSTEMS

BAE SYSTEMS provides a range of products and services for air, land, and naval forces

Meeting with Martin Cooper (Investor Relations) and Sejal Ierland (Investor Relations)

Issues: Environmental and governance - climate change and business practices

Following the company's 2020 announcement it aims to achieve net-zero greenhouse gas emissions (scope 1 and 2) by 2030, we engaged with them to question the absence of scope 3 in its target, and to better understand progress towards this goal. The company confirmed the net-zero roadmap will be released in the next six months and it intends to align with the Science Based Targets initiative. Scope 3 greenhouse gas emissions targets will be discussed at a follow-up meeting in due course.

We asked which stakeholder groups were most concerned by the reputational risks associated with the bribery scandal in 2010. The company responded that the scandal perturbed shareholders and many contracts with customers had to be reviewed. The board has since been completely replaced.

The company acknowledged it is behind its peers in its ESG progress and while focus has historically been on corporate governance, it needs to turn its attention to environmental and social issues. This is supported by the CFO, who is a member of the company's ESG steering committee, along with the Head of HR, the Head of Corporate Social Responsibility and Investor Relations. The company is currently evaluating becoming a supporter of the Living Wage Foundation.



BRITISH AMERICAN TOBACCO manufactures and distributes tobacco products

Meeting with Jennie Galbraith (Group Head of ESG) and William Houston (Investor Relations)

Issues: Environmental and social - climate change and labour standards

We engaged with British American Tobacco to understand how the company is managing key ESG risks. The discussion focused on the effectiveness of the company's efforts to eradicate child labour through its supply chain. The company has set a target to make its supply chain child labour free by 2025, a challenge due to cultural issues with farm owners.

The company is addressing this by monitoring each farm monthly and has a process in place whereby farms in breach of policy can be taken off the supplier list following a written warning and three strikes. Six farms have been removed from the list for breaching the child labour policy so far. The company explained it welcomes shareholder engagement on this issue, as additional internal pressure should expediate progress towards its target.

The company is also in the process of developing greenhouse gas emissions reduction targets (including scope 3).



CARREFOUR is a food retailer with operations in Europe, Taiwan, and Latin America

Meeting with Laurent Vallée (General Secretary), Edouard de Chavagnac (Group Legal Director), Kevin Paviet-Salomon (Corporate Legal and Group Finance Director), Selma Bekhechi (Head of Financial Communication and Investor Relations), Antoine Parison (Investor Relations Director), Anthony Guglielmo (Investor Relations Senior Manager), Max Bagnall (Investor Relations agent, D.F. King Limited)

Issues: Environmental and governance - biodiversity, remuneration and board structure

We met with the company to assess our voting decisions ahead of the AGM. On governance, we discussed CEO remuneration in detail. Whilst we felt the quantum of pay in relation to performance was reasonable, in our view, the scheme is poorly designed and

administered with too much discretion. We confirmed to the company we felt the policy and structure need to be more robust and transparent. We subsequently voted against the remuneration policy, and the Chair of the Remuneration Committee, at the AGM and informed management of our vote.

We also discussed the independence and tenure of non-executive directors. At the AGM we voted against Nicolas Bazire, a non-executive director who was convicted and jailed (subject to appeal) in the 'Karachi affair'.

We also touched on deforestation in Brazil and noted the company's targets and recent efforts to reduce their impact in this part of the supply chain. Carrefour first made a commitment to reduce deforestation in the region in 2010 and, whilst efforts have been slowed by local government policy and political instability, the company continues to set leading targets within the food industry.



EXXONMOBIL is a multinational oil and gas company with upstream, downstream and chemicals businesses. The company is headquartered in the US

Meeting with Sherry England (ESG Engagement Manager)

Issues: Environmental and governance – climate change and board structure

Following the engagement of two activist investors (D.E. Shaw & Co. and Engine No. 1) towards the end of 2020, we re-built a small position in ExxonMobil within one of Ruffer's flagship funds – having divested earlier in the year due to concerns over the company's response approach to climate change. We re-engaged with the company ahead of the AGM in May to understand its perspective on the activists, as well as the direction of travel around disclosing new short, medium and long-term targets, disclosing scope 3 emissions and addressing the Climate Action 100+ Net-Zero Company Benchmark.

At the AGM, Ruffer voted for three of the independent directors proposed by climate action group Engine No. 1. We view these appointments as a way to accelerate change at the company, support greater board effectiveness and ratchet up our signalling of discontent. We also supported the following shareholder resolutions: disclosure on climate-related lobbying aligned with the Paris Agreement, reporting on political donations, and to issue an audited report on the

financial impact of the International Energy Association's (IEA) Net-Zero Emissions by 2050 Scenario.

The 2021 AGM was the first boardroom contest at a major oil company to make climate change the central issue. Two of Engine No. 1's nominees (Gregory Goff and Kaisa Hietala) have been successfully appointed, and it is likely the third (Alexander A. Karsner) will be approved pending certification of the final votes. The three nominees would join nine members from the company, including two nominees (Jeffrey Ubben and Michael Angelakis), who were added to the board as part of a pact with D.E. Shaw & Co.

Two shareholder proposals also passed: Report on Lobbying (55.6% votes for) and Report on Climate Lobbying (63.8% votes for). It is worth noting the climate lobbying resolution asking the company to account for if and how its lobbying aligns with the Paris Agreement garnered more support than the generic lobbying proposal.

Ruffer is continuing to engage with ExxonMobil to encourage improvements in governance, board effectiveness, disclosure on climate-related data, its overall strategy, and the Climate Action 100+ Net-Zero Company Benchmark.



FUJI ELECTRIC is a Japanese electrical equipment manufacturer

**Conference call with Yoshitada Miyoshi
(Head of Investor Relations)**

**Issues: Governance - board structure and
business practices**

Following engagements before and after the 2020 AGM at which Ruffer voted against three directors, we reiterated our stance ahead of the 2021 AGM and our intention to vote against the re-election of one director.

Fuji Electric has made significant governance improvements over the last year by setting up formal remuneration and nomination committees chaired by an independent outsider as well as announcing a formal policy to reduce cross-shareholdings.

We fully support these changes, but explained we only consider two out of nine directors to be independent outsiders and including the statutory auditors, three out of 14 as truly independent outsiders.

This does not align with the current Corporate Governance Code rules and will not meet the one-third minimum for Prime Market listed companies under the proposed Code revisions taking effect later this year ahead of the Tokyo Stock Exchange changes in April 2022.

The company continues to be receptive to our feedback and is making efforts to improve its governance, but we will continue to engage on these issues.



RUBIS distributes fuel, lubricants, liquified gas and bitumen in Africa and the Caribbean and stores bulk liquid products in Europe

A series of video conference calls with Bruno Krief (CFO), Sophie Pierson (Chief Compliance Officer & CSR Director), Eva Chauvet (Head of Governance) and Anna Patrice (Head of Investor Relations).

Issues: Environmental, social and governance - low-carbon transition, climate change, employee relations, community relations and remuneration

Following previous discussions about the company's balance sheet, we advocated for more efficiency and a clearer strategy in order to prepare for the energy transition. A key concern of ours has been the impact of the energy transition on the core business of distributing and storing fuel products and over the course of our engagements with Rubis we have seen increased signs of focus on the challenges of managing the transition.

More broadly, Rubis has committed to improving its corporate social responsibility (CSR) approach and plans to finalise a roadmap that will cover climate, social, environmental and compliance issues. As

part of this, the company is working on setting objectives relating to the energy transition (such as scope 1 and 2 greenhouse gas emissions reduction targets), promoting diversity and community impact and engagement. A Climate & New Energies team has also been established to coordinate the operational efforts of its subsidiaries and is focused on promoting the use of low carbon energies in emerging countries, as well as exploring opportunities to invest and develop renewable energy and circular economy projects. The company plans to publish its multi-year CSR roadmap in early 2022.

On the topic of remuneration, we are pleased the variable compensation for Managing Partners framework integrates environmental, social and governance criteria, including the progressive improvement in scope 1 and 2 greenhouse gas emissions reduction targets and health and safety objectives and now also includes a target to develop and implement the multi-year CSR roadmap.



SMC is a world leader in pneumatic products and services. It offers durable, high quality, and low power consumption goods to customers, usually manufacturers themselves

**Meeting with Naoki Nakajima
(Assistant Manager, Corporate
Communications Office)**

Issues: Governance - board structure

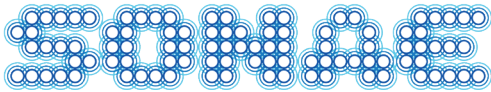
SMC has made several significant improvements to corporate governance recently, much of which has been catalysed by the appointment of a new CEO in April 2020. While the company has a poor track record of corporate governance practices, it has made efforts to make the board more independent and diverse.

While we are supportive of these improvements, we see the current level of board independence (one-third) as the bare

minimum, and implored the company to strive for an independent majority to align with global standards. We also suggested that entirely independent nomination and compensation committees would be more appropriate as inside directors should not dictate remuneration levels for fellow board members.

Mr Nakajima noted our concerns and confirmed four out of 10 board members would be independent by the end of June (following the AGM).

We will continue to engage with the company on board composition until further improvements have been made.



SONAE is a complex multinational conglomerate retailer based in Portugal with a wide range of constituent parts including financial services, sports and fashion retail, venture capital, and shopping centres

A series of meetings with Cláudia Azevedo (CEO), João Dolores (CFO), Luís Moutinho (Sonae MC CEO), Fernando Oliveria (Sone Sierra CEO), Miguel Mota Freitas (Worten and ISRG CEO), Luís Reis (Sonae FS & Sonae Fashion CEO), Eduardo Piedade (Sonae IM CEO), Patrícia Vieira Pinto (Head of Investor Relations)

Issues: Governance - strategy and capital structure

The purpose of our ongoing engagement with the company is to encourage management to simplify the business and better communicate its true value to the market. We engaged with the company to understand the business models of each division in detail and how value is created by these and the group as a whole.

We identified that strong cash generation was obscured by complex accounting. We engaged with the company to understand the individual sources of cash generation. We provided detailed feedback on how presentation of the cashflow to investors could be made simpler, clearer, and more compelling.

In response, the company presented updated cashflow analysis at the full year 2020 and first quarter 2021 results. Market participants commented on the improved disclosure and the share price increased.

We intend to continue engaging with the company. There is more we can do to help management communicate the value of the business, why it is managed well and why, in our opinion, it remains cheaply valued.



TOKEN is a housing and construction leasing business that links landowners and potential tenants in commercial, residential, and retail property

**Conference call with Kentaro Ozaki
(Public and Investor Relations
Division Director)**

**Issues: Governance - strategy and
capital structure, remuneration and
board structure**

This was our first meeting with Token, so we took the opportunity to gauge the company's approach to corporate governance.

We discussed how it proposes to make use of its large cash holding to generate meaningful shareholder returns. The company confirmed it plans to pursue growth via mergers and acquisitions, an area it has some experience in.

We encouraged increased transparency regarding remuneration, having previously voted against a retirement bonus for an ex-director on the basis the amount was

not disclosed (although this is customary in Japanese corporate culture). Whilst the company does not intend to disclose individual bonus amounts in the future, Token was responsive to our suggestion to publish the framework under which bonuses are decided.

We queried the current board structure and in particular noted our concerns over the lack of independent external directors. We were reassured by the company's commitment to increase the board's share of external directors as and when they find suitable individuals for the role.

As this was an introductory meeting, no direct outcomes were discussed but we will monitor progress and intend to re-engage if no action is taken in respect of the points raised.

WH Smith

WH SMITH is a globally diversified retailer with stores across airports, rail, hospitals and the UK high street

Meeting with Ian Houghton (Company Secretary and board member).

Issues: Governance - remuneration

We requested a meeting to discuss the concerns we had with the company's remuneration report. Ahead of the meeting, we wrote to the board to communicate our view that the intention to go ahead with a pre-planned base remuneration increase for management was not appropriate in the current circumstances. At the time, the company was loss-making, had suspended its dividend, raised equity, was benefiting

from government support and had made staff redundant. In addition, we shared the view that disclosure around the personal performance criteria was not clear.

Whilst we voted against management on the approval of the report, we made clear our view did not express a negative appraisal of the performance of the CEO and management team during this challenging period.

Following the meeting, the board confirmed they are revising the remuneration report and will not include the executive pay increase, due to the feedback from shareholders.

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