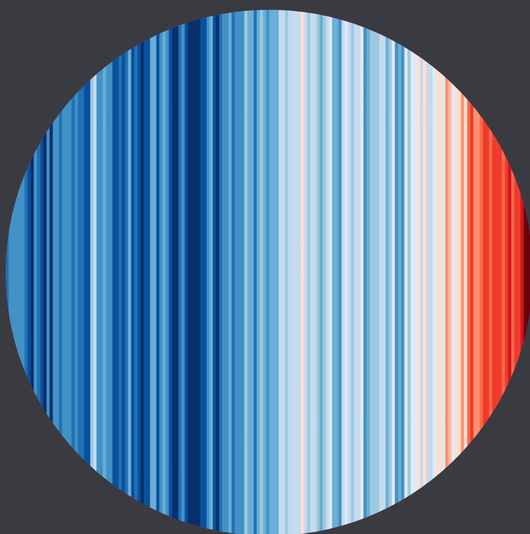
Responsible Investment Report 2021



CHARITY ASSETS TRUST

A note from the fund managers

WE ARE COMMITTED TO BEING GOOD STEWARDS OF OUR CHARITY CLIENTS' ASSETS.

As such, integrating environmental, social and governance (ESG) considerations into our investment research and engaging actively with companies are cornerstones of our process.

In conjunction with Ruffer's firmwide ESG approach, the Charity Assets Trust invests in line with its comprehensive responsible investment policy. The policy incorporates a range of ethical restrictions on controversial sectors as well as committing us to engaging with companies that are deemed laggards by our ESG ratings provider. It ensures that we continue to manage the fund to the standards that are expected by our clients' stakeholders.

There is a clear theme that runs through this report: energy. With the 2021 United Nations Climate Change Conference (COP26) coinciding with spiralling energy prices, the energy transition question took on newfound significance during 2021. At the same time, the fund's energy exposure increased from under 3% to over 7% by the end of the year.

In the following pages, we discuss why we believe that it is justifiable, and even important, for responsible investors to own energy companies. We put forward our case that energy companies will have to be part of the low-carbon transition, and that informed and engaged investors can be instrumental in pushing these companies to improve and in holding them to account.

Decarbonising the global energy mix will require innovative approaches. We are keen to ensure that the fund has exposure to these themes beyond holding conventional energy companies. We consider the importance of energy storage to the broader adoption of renewables and our investments in the sector, as well as looking at the development of carbon pricing.

Aside from energy, the report details how else we monitor the fund, including ESG ratings and the constituents' carbon footprints. Further stewardship activities addressing social, governance and environmental issues are also discussed. More insight into our engagement approach within the firm can be found in the 2021 Stewardship Report.

Please do contact us if you have any questions or would like to continue the discussion.

Christopher Querée
Jenny Renton
Ajay Johal

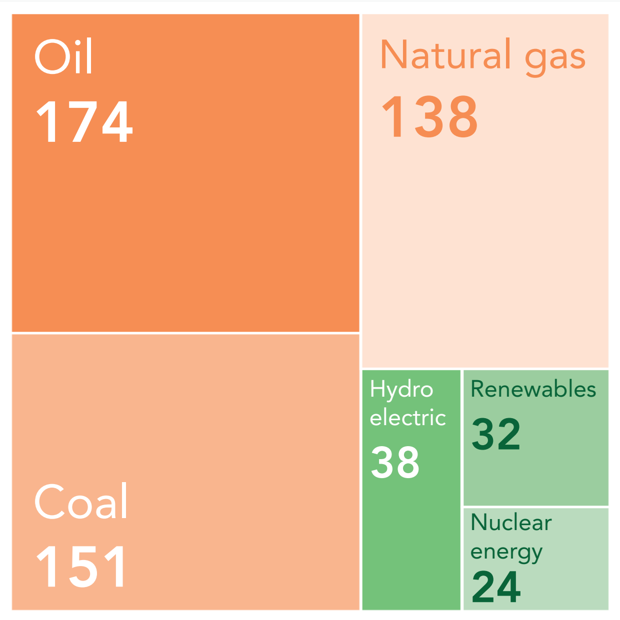
In focus – energy

ENERGY CAME UNDER THE SPOTLIGHT IN 2021.

COP26 put the energy transition at the top of the agenda, while supply shortages caused prices to soar, which made our continued reliance on fossil fuels painfully clear. The inevitable conclusion is twofold: fossil fuels are essential to the near-term functioning of society, but governments and companies need to act rapidly to reduce consumption. The challenge for a responsible investor is grappling with this conundrum.

Energy majors are in the eye of the storm. We acknowledge that the global energy mix has to continue moving away from oil and gas and towards renewables, but we believe that years of underinvestment and the post-pandemic economic recovery is likely to bolster energy prices and benefit energy companies.

ENERGY CONSUMPTION BY FUEL, 2020 (EXAJOULES)



Source: BP Statistical Review of World Energy 2021

In the longer term, if these companies are able to decarbonise in line with the Paris Agreement goals and become leaders in the low-carbon transition, the value of their shares will re-rate significantly. This could enable investors to benefit on two fronts: making a positive impact on the energy transition through one of the hardest-to-abate sectors, while also benefitting from the erosion of the climate discount as investors start to see these companies as part of the solution.

Given the nature of climate change risk, we believe collaborative engagement is an important and effective tool. As such, we were a founding signatory of Climate Action 100+ in December 2017, an investor-led initiative aiming to ensure the world's largest corporate greenhouse gas emitters take the necessary action on climate change. Engaging as part of a collaborative group can amplify investors' voices.

The low-carbon transition is nuanced and will require companies to contribute in different ways. Out of all the energy majors, BP has promised to invest the most in both relative and absolute terms on renewable energy generation. It has committed to spend $3.5 billion per year to 2025, rising to $5 billion a year from 2025 to 2030, in an effort to generate 50 gigawatts of renewable electricity.[1] This involves partnerships with Orsted (hydrogen) and Equinor (offshore wind), as well as their own endeavour, Lightsource BP (solar).

At the other end of the value chain, Shell is primarily involved in downstream activities, and so its transition strategy is focused on the consumer end. It aims to develop low-carbon solutions for transportation and electricity. By 2030, this means providing renewable electricity for 50 million households and installing 2.5 million electric vehicle charging points.[2] We agree that consumer habits must change in order to reduce fossil fuel demand. Responsible investors such as Ruffer must maintain pressure on these companies to ensure they deliver on their commitments.

Globally, we now use three times as much energy as we did 50 years ago and demand continues to grow.[3] Despite significant progress in renewable energy generation, fossil fuels still constitute more than 80% of our global energy mix.[4] Energy majors will play a central role in the low-carbon transition. A diverse and engaged ownership will drive these companies to be more transparent in their disclosure and more ambitious in their targets. However, as Shell CEO Ben van Beurden said at COP26, it needs to be an energy transition, not an energy truncation.[5] While fossil fuels remain necessary for society and a profitable business in the short term, we will continue to push energy companies we view as leaders within the sector to be ambitious and detailed in their transition strategies.

1 BP press release Aug 2020

2 Shell Powering Progress Summary Report, Oct 2021

3 BP Statistical Review of World Energy 2021

4 Ibid

5 BBC news, 11 Nov 2021

Impact investment

HARMONY ENERGY INCOME TRUST PLC

ENERGY STORAGE

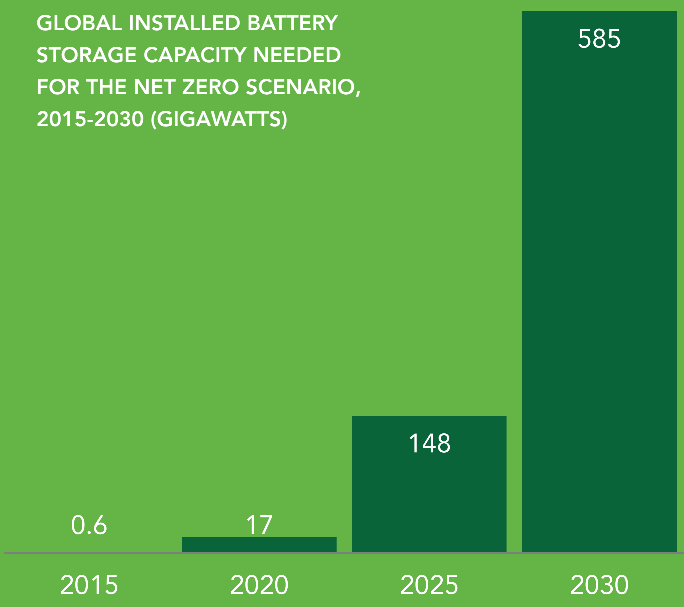
In conjunction with the conventional energy companies in the fund, we also have an allocation to energy storage investments. The difficulty of storing energy remains one of the greatest barriers to broader renewable energy adoption.

Battery storage is a nascent industry but we believe that it has potential to contribute significantly to the energy transition, as well as providing diversified and sustainable returns. The sector should benefit from structural tailwinds given the UK's commitment to investing in renewables.

Due to the nature of wind and solar power, a greater share of renewable power will also increase the volatility of intraday prices. Battery Energy Storage Systems (BESS) are one of the solutions to addressing these supply-demand imbalances.

In December 2021, we took part in the IPO of the Harmony Energy Income Trust, which aims to build up a portfolio of BESS projects with 1 gigawatt capacity. This is complemented by a position in the Gresham House Energy Storage Fund, a position initiated in 2019 which had appreciated by over 25% by the end of the year. As of December 2021, the combined investment represented 0.8% of the fund.

The IEA's Net Zero by 2050 Scenario requires total installed battery capacity to expand by 35 times from 2020 to 2030, to 585 gigawatts. Battery storage is not only an attractive investment opportunity but also part of the solution to expedite the global low-carbon transition.



Source: IEA Net Zero by 2050 Scenario

Impact investment

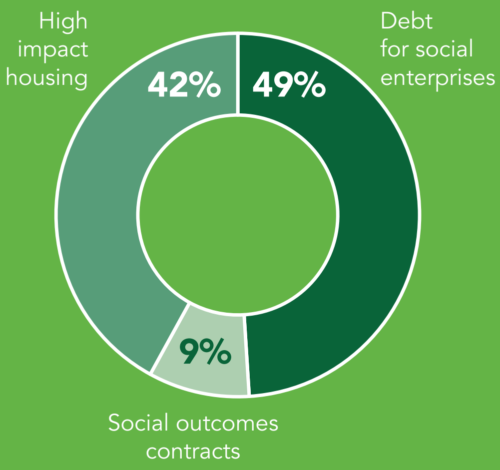
BIG SOCIETY CAPITAL

SCHRODERS BIG SOCIETY CAPITAL SOCIAL IMPACT TRUST

In December 2020, the Charity Assets Trust participated in the initial public offering (IPO) of the Schroders Big Society Capital Social Impact Trust (SBSI).

SBSI is a collaboration between Schroders and BSC, a specialist in social impact investment in the UK. It focuses on three key investment areas

- high impact housing – investment to increase the number of safe, secure and genuinely affordable homes for more disadvantaged groups
- debt for social enterprises – lending and some preference shares to typically large and well-established charities and social enterprises, to help fund expansion projects to scale operations and impact
- social outcomes contracts – investments that provide capital for expert charities and social enterprises to deliver government contracts in areas such as homelessness support, health and education



We have been encouraged by the progress of the Trust since our initial investment. Recent investor reports have shown progress running ahead of plan, with the proceeds from the Trust's November fundraising committed ahead of target. Moreover, a number of follow-on investments have been instigated following successful initial projects. For instance, SBSI has recently initiated a further investment in the Man GPM RI Community Housing Fund, which provides affordable housing at a discount in Huntingdonshire.

We believe that inflation is the greatest threat to charitable investors going forward, and therefore that the inflation linkage of many of the Trust's investments is particularly valuable.

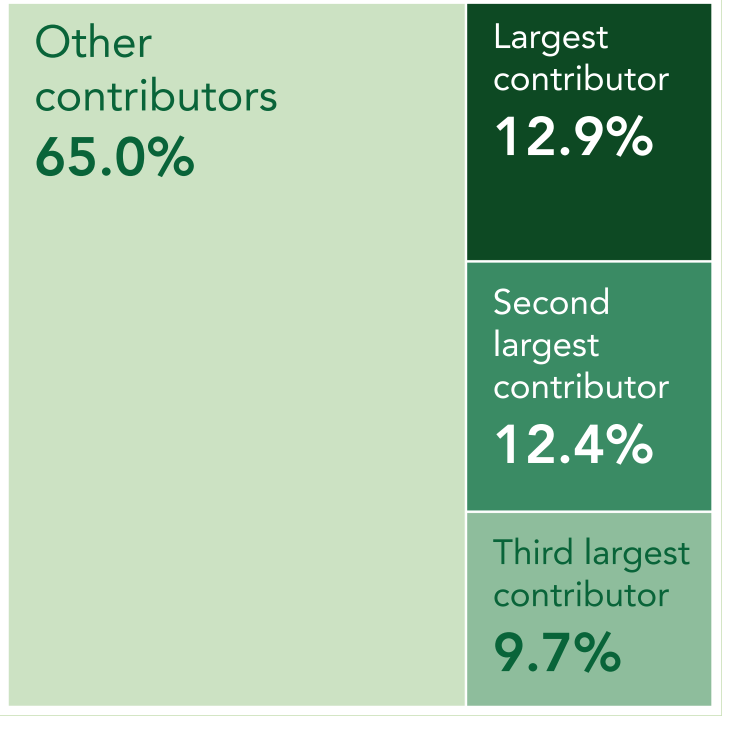
We continue to monitor the progress and success of SBSI and the impact investing sector more broadly.

Source: Schroder BSC Social Impact Trust Investor Update, Feb 2022

The fund's carbon footprint

One of the tools we use to inform our approach to carbon-intensive businesses, including fossil fuel companies, is monitoring the carbon footprint of the fund. We calculate the weighted average carbon intensity of the fund on an ongoing basis. 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, meaning that we can identify the largest company contributors to this metric. We use this to inform our management of the fund and our subsequent engagements with companies.

WEIGHTED AVERAGE CARBON INTENSITY



Source: MSCI ESG research, Ruffer calculations.
Data as at 31 December 2021

LARGEST SINGLE CONTRIBUTOR

In terms of weighted average carbon intensity, Shell was the largest contributor within the fund in 2021. As discussed earlier in the report, we believe that energy companies are going to be an integral part of the low-carbon transition. As responsible investors, we should therefore use our influence as a significant shareholder to push the company to be ambitious and transparent in its transition plans.

We have engaged with Shell for a number of years, both independently and collaboratively. Within its peer group, we view the company as one of the 'ESG leaders'. It was the first energy major to introduce ESG-linked remuneration policies in 2018 (16,500 staff now have their pay linked to the company's Net Zero strategies).[4] It also announced its first carbon reduction targets in 2019. However, we believe Shell can do more.

As part of the Climate Action 100+ Working Group on Shell, we engaged with the company in 2019, 2020 and 2021. The focus has been to push the company to be more ambitious in its targets, and to encourage more disclosure and interim targets so investors can monitor progress.

In terms of its Net Zero strategies, Shell has committed to a Net Zero carbon footprint by 2050. It plans to invest heavily in both renewable and hydrogen energy generation, as well as carbon capture through new technology and nature-based solutions. Shell has set interim targets to reduce the carbon intensity of all its products by 6-8% by 2023, 20% by 2030, and 45% by 2035, across scopes 1, 2 and 3. This means reducing the average amount of greenhouse gas emissions that are produced for each unit of energy sold and then consumed.

Intensity reductions are an important part of the transition, but 'absolute' carbon reductions will be necessary to meet the goals of the 2015 Paris Agreement. As a result of pressure applied by shareholders and environmental groups, Shell announced its first absolute reduction target in October this year, aiming to reduce emissions by 50% from 2016 levels by 2030, across scopes 1 and 2.

In a meeting in November 2021, we commended Shell on this new target, but we encouraged the company to introduce medium-term absolute reduction targets as well. This will enable investors to monitor real-world decarbonisation progress and hold the company to account. While ideally this target would include scope 3 emissions (accounting for 90% of Shell's total emissions), we acknowledge that this may be difficult for the company to achieve because it would require significant shifts in consumer behaviour.

At the end of 2021, Shell was the second largest equity position in the fund and the largest contributor to the fund's weighted average carbon intensity. As a significant shareholder, we will continue to engage with the company and to build a relationship with its sustainability team and management.

Future trend: carbon pricing

Managing the climate emergency will require the deployment of a host of innovative solutions. One proposed policy which is gaining traction is the use of carbon pricing.

Carbon pricing policies seek to price the previously unpriced – carbon and carbon-equivalent (CO_2e) emissions. These policies can be implemented through either

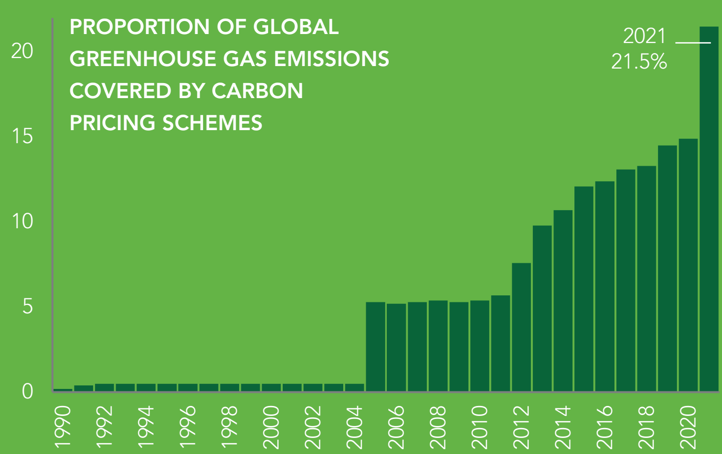
- taxation, which directly raises the price of releasing emissions, or
- an emissions trading scheme (ETS), which limits the total amount of CO_2e and creates a market to trade the right to produce emissions. In most ETS, a small percentage of outstanding permits are retired each year, such that the overall quantity of emissions produced declines over time.

In theory, these two policies should result in the same price of carbon.

Both taxation and ETS have gained popularity as governments grapple with how to manage the energy transition. By the end of 2021, 65 carbon pricing initiatives were implemented globally, covering 21.5% of global CO_2e emissions.[5] A notable milestone was passed in 2021 with the inauguration of China's new national ETS, the largest of such schemes by volume of CO_2e covered.[6]

However, the prices of emissions conferred by such initiatives remain significantly below the prices thought necessary to power decarbonisation. For instance, the EU ETS closed 2021 with a carbon price near all-time highs at €80.65. Yet this is still some way off the carbon price of €115 that the International Energy Agency estimates will be necessary in advanced economies by 2030, if we are to avoid irrevocable climate damage.

Financial actors have become increasingly interested in carbon as a commodity and as a result carbon-related financial instruments have proliferated. At Ruffer, we are exploring the secular tailwinds behind the price of carbon and how we may gain exposure to this new asset class.



5 World Bank
6 UNESCO

ESG ratings

The overall ESG rating ascribed by MSCI ESG Research to a company is just one of the additional responsible investment inputs considered when assessing the merits of an investment case. It provides a quantitative proxy by which to measure improvement.

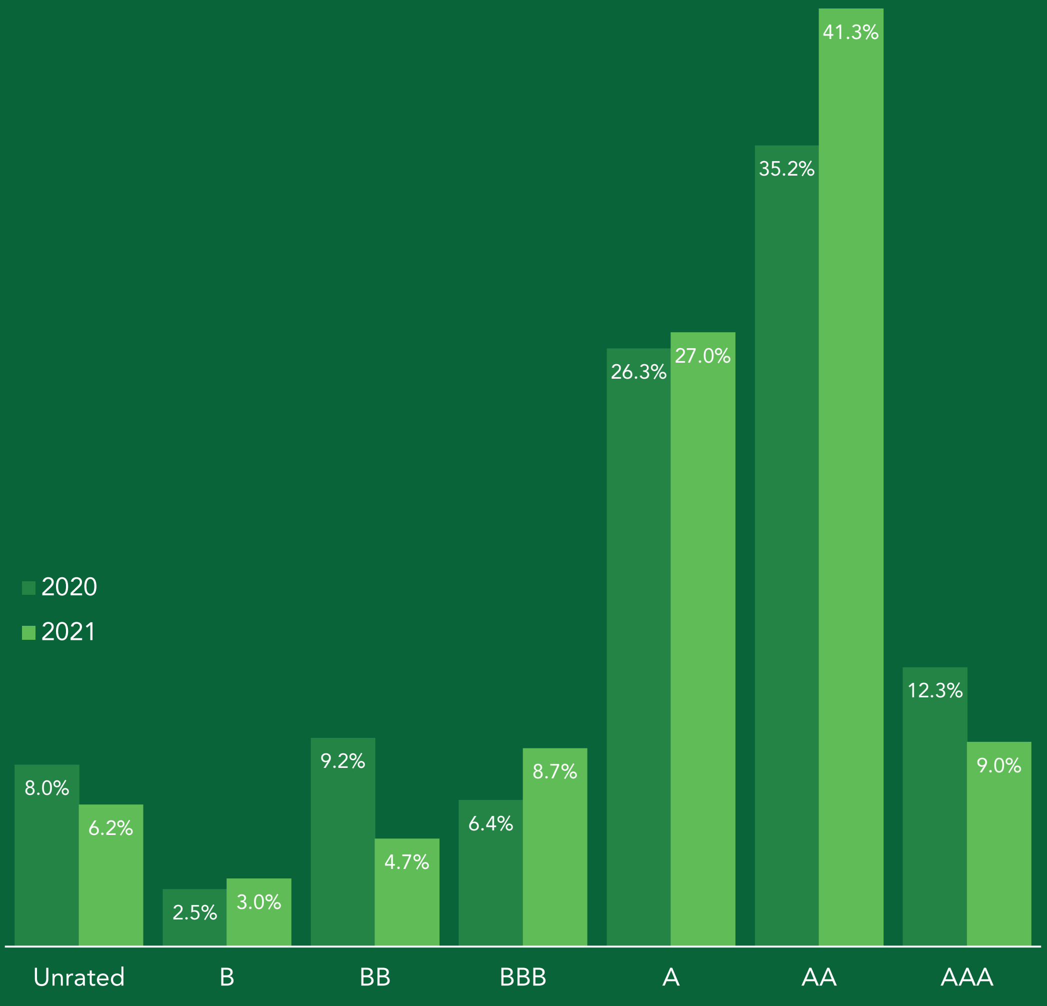
The rating is not absolute, rather it is relative to the standards and performance of a company's industry peers. It is used to help ensure that as far as possible the fund invests in companies which are considered 'best in class' within their sector. Additionally, there are some portfolio companies that are not rated by MSCI; these are primarily our listed impact and energy investment trusts.

Crucially, we do not use this metric as a hard block. Rather, it is used as a flag to help guide our investment decision making and engagement activities. This allows us to do our own analysis on the investment case, rather than being entirely reliant on rigid metrics that may not reflect a company's evolution. Please see the next section for examples of this in action.

KEY CHANGES IN 2021

The ESG ratings of the portfolio's equities improved through 2021. The proportion of companies rated A or above by MSCI increased from 74% to 77% through the year.

ESG RATING OF HOLDINGS WITHIN THE CHARITY ASSETS TRUST



Source: MSCI ESG Research as at 31 December 2021. Excludes companies held in the Japanese corporate governance theme: see overleaf. Charts may not total 100% due to rounding.

Japanese corporate governance

Through 2021, the Charity Assets Trust held a diversified collection of Japanese mid- and small-cap stocks. This basket of equities was intended to capture the power of improving corporate governance in Japan.

We take an active approach with these companies; meeting with and writing to management to encourage further improvements in corporate governance. Over the course of the year, we conducted 21 meetings with management teams, spanning 18 of the companies held in the fund. These meetings generally focused on board structure, remuneration, cross shareholdings, balance sheet structure and efficient capital allocation.

We also voted on numerous occasions against the nomination of board members who do not meet our definition of independent, as well as voting against senior board members of companies where we felt that sufficient progress was not being made.

Divestment remains an option where we are unable to meaningfully engage with the company. For instance, in 2021, the fund divested from Toei, a film and television production company, following management's refusal to engage with Ruffer.

At the beginning of 2021, the allocation to this basket of equities constituted 1.7% of the fund, though this declined to 0.8% by the end of the year. This owed partially to the consolidation of names within the basket, as the number of holdings reduced from 23 to 15 through 2021, as well as active sales of stronger performing companies. Two stocks, Nippo and Toppan Forms, were subject to takeover offers by their parent companies, realising significant gains for the fund.

We have decided to sell down the holdings in this basket in 2022 as we have reduced the equity allocation within the fund, and in order to focus attention on other themes in the portfolio.

Stewardship

Where an investment is held in a company with an MSCI ESG rating of B or CCC, or which fails to comply with the principles of the UN Global Compact, we are committed through our responsible investment policy to engaging with management teams to better understand the issues and encourage improvement.

The five companies held in the fund (outside of the Japan corporate governance theme) that were flagged by these metrics as at the end of 2021 were Chesapeake Energy, Coty, Pfizer, and Volkswagen, each of which has an ESG rating of B. Shell does not comply with the UN Global Compact due to ongoing litigation issues in Nigeria.

We include in the following pages a summary of our engagement activities with the companies in question. More detail on our engagement with these companies – and our stewardship activities across the firm – can be found in our 2021 Stewardship Report.

CHESAPEAKE ENERGY is a North American onshore oil and gas producer.

Issues: Environmental, social and governance – climate change, environmental reporting, employee relations, board structure, remuneration and MSCI ESG rating

Our engagement with Chesapeake Energy came in the wake of the company's Chapter 11 restructuring and recent CEO appointment. We were assured that the new CEO, Nick Dell'Osso, is embracing ESG considerations in his management. Environmental and safety performance is now a part of the executive compensation programme and the company is releasing a new ESG report and microsite.

We were pleased to see that the Chair and CEO roles have now been separated. Chesapeake now intends to appoint new executives including a Chief Sustainability Officer. Although Chesapeake believes it is in line with its US upstream peers across its employee base, it is looking to improve board diversity and a Diversity and Inclusion specialist has been hired to assist with this.

Turning to environmental issues, Chesapeake views gas (around 75% of revenues) as a key part of the low-carbon transition due to its reliability and its increasing demand in India, China and Europe. The company aims to reduce methane intensity to 0.09% (total methane emissions / total gas produced) by the end of 2022 and greenhouse gas intensity to 5.5 (tonnes CO2 emitted per thousand barrels of crude oil equivalent produced) by 2025, and it now believes that it will achieve these targets early.

Management views the low-carbon transition as an opportunity for the business. We also discussed the company's MSCI ESG rating (upgraded from 'CCC' to 'B' rated in July 2021) and how this could be further improved. We agreed to organise a follow-up meeting in 2022 to provide feedback on the company's ESG reporting and data disclosure.

COTY is a global beauty company making cosmetic, skin, fragrance and hair brands and is headquartered in the US.

Issues: Environmental, social and governance – climate change, environmental reporting, raw materials sourcing, board structure and MSCI ESG rating

We believe effective governance practices are key to setting the right tone at the top, particularly in the case of Coty. Coty is owned by a controlling shareholder and there is a large representation of shareholder appointed members on the board. Therefore, we wanted to understand what practices are in place to ensure the company acts in the interests of minority shareholders.

Giving recent changes to governance at Coty, we wished to understand how oversight and accountability is being managed. We emphasised the benefits of linking sustainability targets to executive compensation, to enhance the credibility of these targets. Coty has received this feedback from other shareholders and will feed this back to the Board.

Product carbon footprint is a key environmental consideration for Coty. We discussed the work that has been done internally to reassess Coty's carbon footprint following the separation from Wella Company. This has now been completed and the company is working on the internal validation of its targets which will be aligned with the Science Based Targets initiative and disclosed in 2022. As these will be based on a 2030 timeframe, we encouraged the company to consider setting interim targets to help stakeholders monitor its progress.

Given this was our first meeting on these topics we look forward to continuing our engagement with the company and will be monitoring its progress.

PFIZER is a US pharmaceutical company that develops, manufactures and distributes biopharmaceutical products worldwide.

Issues: Environmental, social and governance – low-carbon transition, access to medicine, business practices and MSCI ESG rating

We asked about Pfizer's climate strategy and whether it is planning to meet the targets set under AstraZeneca's 'Ambition Zero Carbon', which commits to Net Zero Scope 1, 2 and 3 greenhouse gas emissions by 2025. Pfizer is targeting Net Zero across scope 1 and 2 emissions by 2030. In terms of scope 3 emissions, Pfizer has a team that is focused on supplier engagement, which encourages its suppliers to meet carbon neutrality pledges and adopt science-based targets.

On the topic of lobbying transparency, we asked how the company has responded to the Institutional Shareholder Services' (ISS) recommendation to vote against management. Pfizer produces a political lobbying report, and it feels that it is in line with its peers in its disclosure. We acknowledged that lobbying plays a significant role in the industry but urged the company to provide more detailed disclosure going forward.

We also discussed the reasons for Pfizer's unchanged MSCI ESG Research rating ('B' rated), which categorises the company as a sector laggard. The low rating is mainly attributable to the emphasis of controversies in MSCI's methodology. The company acknowledged there is more it can do to engage with ratings agencies and improve its disclosure.

On access to medicine, the company pointed to its work with the Global Alliance for Vaccines and Immunization (GAVI) in developing countries. Pfizer decided not to licence out production of its covid-19 vaccine because of supply chain constraints, which the company felt it was best placed to manage. It has licenced out production of its new covid-19 pill and will not be collecting royalties on it.

SHELL is a global energy and petrochemicals company involved in exploration, refining and marketing in more than 70 countries.

Issues: Environmental and social – climate change, low-carbon transition and community relations

The meeting was organised as an update on Shell's climate transition strategy, as well as to discuss the company's decision to divest its onshore oil production in Nigeria and its status as non-compliant with the UN Global Compact.

We discussed Shell's Net Zero strategy. We welcomed the introduction of absolute reduction targets and encouraged the company to consider setting interim absolute reduction targets. We acknowledged it may be difficult to extend this current target to scope 3 emissions (which account for 90% of Shell's emissions) in the near term as it will require significant shifts in consumer behaviour.

We asked for more detail on the 'offsets' aspect of Shell's transition strategy, primarily carbon capture and storage (CCS) and nature-based solutions (NBS). We were informed these are still a nascent part of the business but Shell is targeting 25 million tonnes per annum (mtpa) by 2035. The company acknowledged that this is dependent on government support and a particular carbon price.

We enquired after its plans to exit its onshore oil operations in Nigeria. The company explained that it had attempted multiple unsuccessful initiatives (Nigeria represents Shell's largest social investment spend) and that divestment was the last resort. Shell reassured us it not relinquishing its commitment to help communities affected by past controversies.

We asked why Shell is still deemed to be breaching the UN Global Compact which is due to the ongoing lawsuits. We encouraged the company to continue engaging with ESG ratings agencies such as MSCI on this progress. We were keen to understand more about Shell's consumer strategies, which are focused on encouraging the decarbonisation of transportation and haulage.

VOLKSWAGEN is a German automotive manufacturer, which produces and sells passenger and commercial vehicles globally.

Issues: Environmental and social – low-carbon transition, environmental reporting, labour standards and raw materials sourcing

We began by asking why the company recently declined to join the auto manufacturers' RouteZero pledge to sell exclusively electric vehicles by 2040. The company cited supply chain issues in the short term and its footprint in China and the US in the longer term. In addition, the company's compliance regime following the 'Dieselgate' scandal has strengthened, making management wary of committing to the speculative initiatives. While we were disappointed to hear this, we appreciated this could also be a demonstration of conservative governance.

With Volkswagen's in-house battery production, we enquired about raw materials in its supply chain. Volkswagen has a responsible purchasing team of 25 people and it requires suppliers to provide assurance of the source of all materials, especially the 2,000 suppliers deemed highest risk. The policy forbids the purchase of cobalt from the informal mining sector but the company acknowledged it is not possible to audit all 40,000 suppliers individually.

We voiced our concern surrounding the company's operations in Xinjiang province, but Volkswagen assured us that all employees have contracts and are not employed through agencies, ensuring there is no slave labour. The company has less control over local suppliers but it does not source materials from Xinjiang. Due to China's strategic importance to Volkswagen, the company is sensitive to maintaining good relations with Chinese authorities and is unlikely to close the plant.

We also discussed the company's electric vehicle targets and partnerships to build out charging infrastructure, governance improvements and remuneration policies. The company has also introduced ESG-linked compensation targets for management. We continue to monitor Volkswagen's progress, particularly in relation to its Net Zero strategy.

Voting

It is Ruffer's policy to vote on all AGM, EGM and shareholder resolutions for all companies held in the Charity Assets Trust.

In 2021, we voted against management predominately on issues relating to the independence and effectiveness of directors, audit-related resolutions, and executive pay. We also used our voting power to supplement our engagement with companies on climate change.

Key voting examples are given below and more detail is available in our 2021 Stewardship Report.

	2019	%	2020	%	2021	%
Total items voted	**1,025**		**935**		**1,072**	
For	944	92.1	837	89.5	982	91.6
Against	62	6.1	71	7.6	79	7.4
Abstain/withhold/other	19	1.9	27	2.9	11	1.0
Against management	69	6.7	92	9.8	77	7.2
Shareholder proposals	31	3.0	29	3.1	34	3.2

equinor

EQUINOR is a Norwegian energy company developing oil, gas, wind and solar energy in more than 30 countries.

Issues: Environmental – climate change

Following up on the Climate Action 100+ engagement with Equinor, at the 2021 AGM we voted in favour of a resolution asking the company to set short, medium, and long-term targets for greenhouse gas (GHG) emissions of the company's operations and the use of energy products. We voted against a number of other resolutions which ranged from requesting the company to stop all exploration activity to instructing it to invest in nuclear energy. Our approach is constructive engagement versus disinvestment. The transition to a lower carbon economy will be a bumpy road: working with management, and other shareholders, to ensure climate risk is factored into cash flows and asset values (that is, the business is a going concern) we think is best.

WH Smith

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

Issue: Governance – remuneration

When determining whether to support a remuneration policy or report, we assess a number of factors including how management are incentivised, the structure of executive remuneration and the overall quantum.

We voted against management on the approval of the remuneration report as we felt the timing of an executive pay increase in the current circumstances was inappropriate. This did not express a negative view of the performance of the CEO and management team during this challenging period, but rather we felt going ahead with a pre-planned base remuneration increase was not appropriate for a company that is at present loss-making, has suspended its dividend, raised equity, may benefit from government support measures and made a large number of staff redundant. We were also of the view the disclosure around the personal performance criteria is not clear.

We communicated these views in a letter to the Board and subsequently held a meeting with the company to discuss the concerns in more detail. The Board has subsequently confirmed they are revising the remuneration report and will not include the executive pay increase due to the feedback from shareholders.

FUJI ELECTRIC is a Japanese electrical equipment manufacturer.

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 if 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.

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Cover image: Annual global temperatures from 1850-2017, Climate Lab Book CC4.0

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