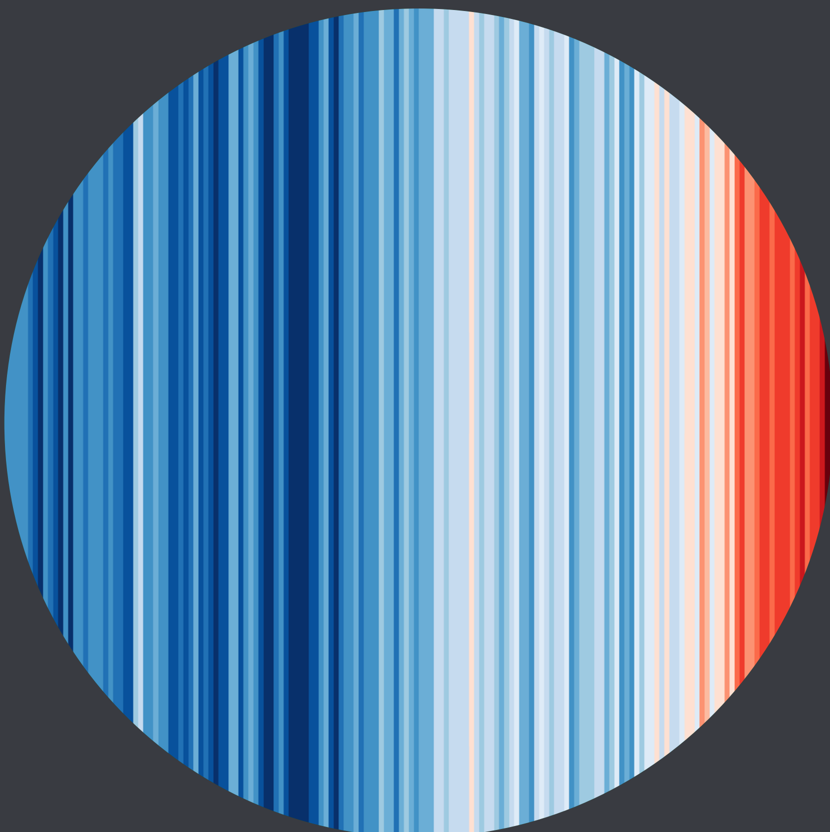
Stewardship Report



FOR THE YEAR ENDING 31 DECEMBER 2021

About Ruffer

Ruffer looks after investments for private clients, financial planners, institutions, pension plans and charities, in the UK and internationally.

Our aim is to deliver positive returns, whatever happens in financial markets.

To invest well, we need to take on risk. With risk comes responsibility. Our preoccupation is with not losing money, rather than charging headlong for growth. It's by putting safety first that we have made good money for our clients. Through boom and bust. For over 27 years. If we keep doing our job well, we will protect our clients' capital – and increase its real value substantially.

Ruffer LLP has been climate neutral since 2017. We are signatories and supporters of

For more on what we do and how we do it, please visit ruffer.co.uk

STEWARDSHIP REPORT

Foreword

OUR PURPOSE IS TO PROVIDE INVESTMENT PERFORMANCE AND SERVICE THAT PUT CLIENTS FIRST.

We take our ownership rights and stewardship responsibilities seriously as we believe this is an important part of our duty to our clients. The challenges and expectations of stewardship are rising. We see this as a great opportunity to further prioritise engagement with companies for the purpose of gathering information and, where appropriate, seeking change. Sometimes we engage on our own and sometimes we work in collaboration with other investors or investor groups. Whether it is climate change or biodiversity, board effectiveness or executive pay, we believe our considered approach helps us make better investment decisions and allows us to be effective stewards of our clients' assets.

We are pleased to have been recognised as a signatory to the 2020 UK Stewardship Code, which sets high standards for asset managers, asset owners and service providers. This report represents our updated response to the Code, our stewardship activities for 2021, and outlines our first steps on the path to Net Zero. Throughout this report, we show how our values and approach align with the definition and spirit of stewardship within the Code.

During 2021 and into 2022, we have: further enhanced our investment research process, defined roles of ESG specialists across the firm to support both Research Analysts and Portfolio Managers, and extended our ESG integration approach to fixed income, by including climate change data points in our internal sovereign bond ESG risk framework.

In 2021, Ruffer published its inaugural Taskforce for Climate-Related Financial Disclosure (TCFD) Report, which exhibits how we are using climate risk data to enhance our understanding of the risks and opportunities facing our investee companies, and the overall portfolio. We have set targets for the year ahead, committing to a further strengthening of our approach in managing risk and identifying investment opportunities. In 2022, Ruffer will update this report with our latest thinking on – and analytical approach to – climate risk analysis and integration.

We have an important role to play in the transition, as investors and stewards of our clients' assets. We've made a decision to become a signatory to the Net Zero Asset Managers initiative. The ambition is to align our investment portfolios with Net Zero greenhouse gas emissions by 2050 or sooner. In 2022, we will formalise a strategy to deliver upon this decision including the development of interim 2030 emission reduction targets.

We have upheld our commitment to create long term value for our clients, whilst giving due consideration to the economy, environment, and society.

CHRIS BACON
Chief Executive

UK Stewardship Code 2020

UK STEWARDSHIP CODE 2020	PRINCIPLE	PAGE
Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.	1	6-8
Signatories' governance, resources and incentives support stewardship.	2	6, 7, 111-116
Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.	3	12-14
Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.	4	18-19, 35, 42, 46, 59
Signatories review their policies, assure their processes and assess the effectiveness of their activities.	5	6, 15-17, 111-116
Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.	6	6, 8, 10, 11
Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.	7	6-8, 18, 19
Signatories monitor and hold to account managers and/ or service providers.	8	18-19, 59, 111, 115
Signatories engage with issuers to maintain or enhance the value of assets.	9	18-19, 35, 49, 50-90
Signatories, where necessary, participate in collaborative engagement to influence issuers.	10	18-19, 35, 41-90
Signatories, where necessary, escalate stewardship activities to influence issuers.	11	35-37, 54, 60, 71, 91-110
Signatories actively exercise their rights and responsibilities.	12	6, 8, 18-19, 35, 37, 42, 49, 91-110

Our symbols are used throughout the document to demonstrate each principle, for more information about the UK Stewardship Code, please visit frc.org.uk/investors/uk-stewardship-code

Purposeful investing

1 2 5 6 7 12

OUR PURPOSE 1

OUR AIM IS TO DELIVER CONSISTENT POSITIVE RETURNS – WHATEVER HAPPENS IN THE FINANCIAL MARKETS. Preserving our clients' capital has been the core purpose of Ruffer since the business was founded in 1994. We define this purpose through our two investment objectives, which have remained unchanged for over 27 years

- not to lose money in any 12 month period
- to grow the value of our clients' assets over the long term, outpacing the alternative of placing cash on deposit

The business is committed to delivering investment performance that puts clients first. The spirit of service informs everything we do. To ensure the incentives of those working at Ruffer are aligned with our clients, the business is structured as a partnership, with partners from across all departments.

WHY STEWARDSHIP MATTERS AT RUFFER 1

We believe stewardship activities can lead to lasting and meaningful change, resulting in better long term outcomes for our clients and others.

At Ruffer, we are committed to being good stewards of our clients' assets. To that end, environmental, social and governance (ESG) issues are integrated into our investment process.

Whether it is climate change or indigenous rights, diversity and inclusion or workforce safety, we believe our considered approach helps us make better investment decisions.

In our view, this approach will lead to better long term performance for our clients, whilst also benefiting the companies we invest in, the environment and society.

At Ruffer, we endorse the Financial Reporting Council's updated and extended definition of stewardship as "the responsible allocation, management and oversight of capital to create long term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society."[1]

[1] 2020 UK Stewardship Code, p4

HOW RUFFER SUPPORTS EFFECTIVE STEWARDSHIP

Stewardship activities are carried out by members of the Front Office and Research teams with support from ESG specialists and the Responsible Investment team.

Ruffer has a sizeable in-house research team, with over 30 analysts (covering macro and micro research), a Responsible Investment team and ESG specialists throughout the business. Ruffer has a collaborative research process, with ESG analysis forming a core part of our fundamental analysis. More details of this can be found in the research methodology section on page 20.

WHAT IS AN ESG SPECIALIST?

An ESG specialist is someone who has a particular interest, knowledge set or skills in ESG topics, alongside their core role at Ruffer. The role has two principal responsibilities: 1) to support research analysts with additional analyses or assistance in security selection or system-wide thematic topics 2) to support client-facing staff in building knowledge and confidence to discuss ESG issues with investors. Like sector or stock specialists in traditional fund management, ESG specialists may have one or more areas of specialisation by virtue of educational background and professional interest. It is a voluntary role, with a formal application process, but contribution is recognised in the annual performance review. We provide an in-house training program supplemented by external education resources to establish, maintain and grow ESG knowledge, skills and experience.

Our ESG analysis informs how we conduct our stewardship activities and the tools we employ to deliver on these. What we elect to do is informed by discussions between Responsible Investment analysts, ESG specialists, Research Analysts and, where necessary, Investment or Research Directors. This is an important part of the process as it ensures that the progress of our engagement and voting activities is integrated into our investment theses. This subsequently informs our investment decision-making – be that buy, sell, or hold. We are committed to being good stewards of our clients' capital as we believe this delivers better investment performance for our clients.

Following a strategic review of our approach to responsible investment in 2020, in 2021 we implemented changes to our governance and oversight of ESG integration and, our stewardship approach. On the former, an organisational restructure involved moving the Responsible Investment team into the Research team, reporting into Ruffer's Deputy Chief Investment Officer. We also introduced a formal Responsible Investment Committee providing oversight for all RI activities. Research Analysts now have primary responsibility for considering ESG risks and opportunities, with support from ESG specialists, with an enhanced ESG due diligence report required for larger investments. More details on this can be found in the section on how we govern responsible investment and stewardship on page 111.

HOW WE ADDRESS THE NEEDS OF OUR CLIENTS[2] 1 6 12

Client service is at the heart of what we do at Ruffer. We provide responsible investment and stewardship reports quarterly, along with bespoke reporting to meet the needs of our clients.

Ruffer's clients range from private clients to charities and pension funds, with the majority of our clients domiciled in the United Kingdom. The breakdown of our assets under management by client type and by geographical region is shown below.

Ruffer is an active investment manager with an absolute return strategy to deliver our objectives. Protective assets are held alongside growth assets, with the allocation changing depending on our market outlook. We look to construct all-weather portfolios, which seek to protect our clients' assets from inclement markets. The growth assets are typically equities. The protective assets are usually a combination of conventional and inflation-linked bonds, currencies, exposure to commodities (usually gold) and derivatives.

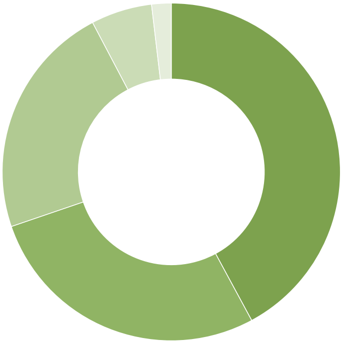
When the market sun shines, we expect our growth assets to prosper. In market storms, our protective assets should provide shelter, defending the portfolio from a downturn. We try to remove the temptation to time markets by maintaining a considered, disciplined, and thoughtful approach of investing in protection, income and growth assets. Due to shorter-term volatility, current and potential clients should consider an investment period of at least two years. We encourage our clients to judge our performance over a market cycle, which means taking a long term view.

Our investment beliefs derive from a recognition of our fallibility. We construct portfolios designed to perform in a range of market conditions – we would rather be roughly right than precisely wrong. Our clients put enormous trust in us; we see it as our duty to serve their best interests. Among other things, this involves shouldering risk, being open about mistakes and being transparent about what can go wrong.

Our portfolio structure changes depending on our assessment of the market outlook, as we alter the proportion of protective and growth assets.

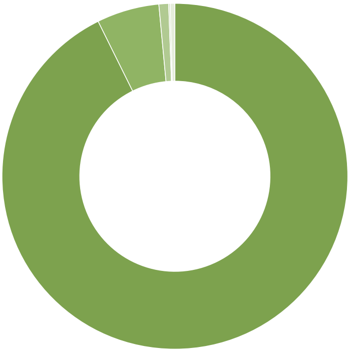
2 'Client' is used synonymously with client, client fund or investor throughout this report

Assets under management as at 31 December 2021 (£24.0 billion)



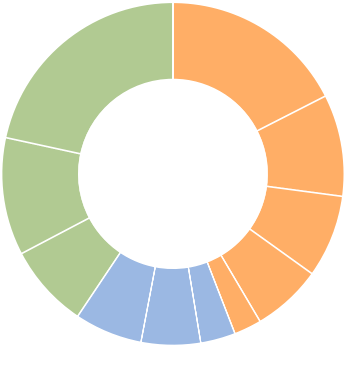
	£M	%
PENSION FUNDS	10,109	42.1
PRIVATE CLIENTS	6,637	27.6
OTHER INSTITUTIONAL	5,409	22.5
CHARITIES	1,402	5.8
RETAIL	448	1.9

Geographic distribution of clients



	CLIENTS	%
UK	6,129	88.9
EMEA	386	6.7
ASIA PACIFIC	60	3.4
NORTH AMERICA	9	0.6
OTHER[3]	29	0.3

Asset allocation at 31 December 2021



	%
UK EQUITIES	17.5
EUROPE EQUITIES	9.6
JAPAN EQUITIES	7.8
NORTH AMERICA EQUITIES	6.6
ASIA EX JAPAN EQUITIES	2.6
OPTIONS	3.3
ILLIQUID STRATEGIES	5.6
CASH	6.4
GOLD INVESTMENTS	7.9
NON-UK INDEX-LINKED	11.1
UK INDEX-LINKED GILTS	21.6

Source: Ruffer LLP

3 Includes nominee accounts with a number of underlying investors or pooled accounts via third party platforms

HOW WE COMMUNICATE WITH CLIENTS AND INVESTORS

At Ruffer, clients are our top priority. We focus on delivering excellence in client service. We strive to maintain a transparent, responsive, and ongoing dialogue with clients to ensure we meet their needs.

This is achieved through a variety of channels.

We conduct stewardship activities on our clients' behalf as we believe this not only is part of our responsibility but also contributes to us making better investment decisions. We provide an overview of recent engagement activities, alongside thought leadership pieces, in our quarterly responsible investment and stewardship reports, which is sent to all clients. This is additional to standard portfolio updates and valuation reports. A more detailed quarterly stewardship, and voting, report is available for those clients who wish to explore our engagement activities in more depth. Our stewardship activities are discussed in regular client meetings and our ESG integration approach forms part of our standard presentation to clients.

We report our stewardship activities in the annual stewardship report in response to the UK Stewardship Code. We publish our voting records annually. We also recently launched our inaugural TCFD report, which exhibits our climate related activities in the past and, provides an insight into how our understanding of the risks, and opportunities, facing our investee companies has evolved and how our research process has adapted to new or updated analytics and information.

In response to evolving pension fund regulation, we produce voting data and significant votes information in the Pensions and Lifetime Savings Association (PLSA) Implementation Statement template on request.

We organise seminars and events for clients regularly to discuss our investment outlook, regime changes, and new trends in the industry. This frequently includes discussion of issues pertaining to responsible investment and we plan on hosting seminars wholly focused on the topic in the future.

"Ruffer offers clients the opportunity to incorporate their values and beliefs into our investment approach. We have been managing portfolios with bespoke ethical investment policies since 2006."

We recently published the fourth annual edition of The Ruffer Review (ruffer.co.uk/ruffer-review-2022), a collection of thoughts and ideas from across the firm. The Review is designed to be wide-ranging and eclectic. Articles span everything from our core investment outlook (written by Chief Investment Officer, Henry Maxey), themes in responsible investment, to explorations of historical episodes in financial markets, views on emerging technologies and shifts in the geopolitical landscape. It is intended to both educate readers and stimulate discussion, providing insight into how Ruffer 'thinks'.

HOW WE SEEK CLIENT VIEWS ON STEWARDSHIP AND ASSESS OUR EFFECTIVENESS 6

Our process integrates ESG considerations at every stage.

At Ruffer, we greatly value feedback from clients and other stakeholders. Any feedback is considered and, where deemed additive, incorporated into our process. These discussions inform our reporting efforts, engagement activities and at times, proxy voting.

For example, as regulators and government departments globally, including the United Kingdom Department for Work and Pensions (DWP), step-up guidance on reporting climate risk, Ruffer is taking steps to assist our clients meeting their TCFD and climate-related needs by expanding our reporting capabilities to include portfolio-level carbon-related metrics. This includes building an internally developed IT solution to map carbon metrics to client portfolio holdings enabling consistent and efficient delivery of climate risk measures. To help meet this demand, we subscribed to the MSCI Enhanced Climate Change metrics tool to understand how climate risks may affect our portfolios over the short, medium, and long term. These insights are included in portfolio level reports. We will continue to enhance our fund level-reporting, responding to developments in standardised reporting templates or client requests.

Ruffer encourages an open dialogue with clients on engagement and voting activities, both ad hoc and in formal meetings. We consider and may prioritise engagement topics which are brought forward by clients, which potentially inform our stewardship strategy, including voting activity. At clients' requests, we will furnish voting detail to meet due diligence, reporting or other needs. More details on client specific voting capabilities can be found in the section on why voting makes a difference on page 91.

Furthermore, we regularly commission (generally every two years) a third party consultant to undertake a review of the manager universe or participate in asset (investment) consultant led due diligence surveys, to inform our approach to stewardship and responsible investment. We use the insight and feedback to review our practices and look at areas for improvement.

HOW DO WE MANAGE POTENTIAL CONFLICTS OF INTEREST TO ENSURE FAIRNESS TO CLIENTS AND INVESTORS? 3

Ruffer's policy is to act in the best interests of all our clients.

As already mentioned, Ruffer is a Limited Liability Partnership (LLP). This structure aligns our interests with those of our clients. Our senior staff share in the long term profitability of Ruffer, so they are interested in nurturing client relationships through ongoing communication and by delivering upon our investment objectives. Where conflicts of interest on stewardship, voting or engagement exist between Ruffer and a particular client or our wider client base, it is Ruffer's policy to act in the best interests of all our clients.

Ruffer's approach is to take all appropriate steps to maintain and operate effective organisational and administrative arrangements to identify and prevent or manage relevant conflicts between a client and Ruffer or one client and another. To further reduce potential conflicts of interest, the justifications and the decision making process on every item are clearly documented. Where a potential conflict of interest is identified, the interests of a client or a client fund, is put before the interests of Ruffer, its subsidiaries and its staff.

Where the organisational or administrative arrangements referred to above are insufficient to ensure, with reasonable confidence, that risk of damage to the interests of a fund or client are prevented, Ruffer's senior management would be promptly informed of the fact, so that any necessary decision or action can be taken to ensure that Ruffer acts at all times in the best interests of its clients and funds.

Record of conflicts

The arrangements that are in place to manage these types of conflict, and other conflicts that may arise, are set out in the Conflicts of Interest Matrix (COI Matrix). The conflicts of interest and potential conflicts of interest identified by Ruffer are documented centrally in the COI Matrix. The COI Matrix contains the generic potential conflict scenarios and cross references these to the relevant Ruffer policies and procedures that we have to prevent and/or manage them. The conflicts and potential conflicts set out in the COI Matrix either apply to all Ruffer entities or to

Identifying and managing conflicts of interest

In order to minimise the risk of conflicts of interest arising, including through stewardship activities, Ruffer has in place the following –

1. An inside information policy is maintained such that a Relevant Person is able to inform Compliance of any inside information they may hold. This is added to the Stop List until such time as the information is in the public domain.
2. Divisions and legal entities operate with appropriate independence from one another.
3. Supervisory arrangements provide for separate supervision of staff where necessary for the fair management of conflicts of interest.
4. There are appropriate controls in place to identify and manage board memberships and outside business interests of Relevant Persons.
5. A remuneration policy is maintained such that remuneration and the prudent management of Ruffer interests of clients are aligned.
6. Appropriate inter and intra-divisional escalation processes are in place and complied with where a conflict of interest has been identified or may be identified.
7. Any delegates of Ruffer providing services in the context of the management of AIF Portfolios notify Ruffer of any circumstances which constitute or may give rise to a conflict of interest entailing a material risk of damage to the interests of that AIF or its investors.
8. Adequate records are maintained where a conflict of interest has been identified.
9. Where necessary, Relevant Persons are subject to personal account transaction rules.
10. There is a periodic review of the adequacy of Ruffer's systems and controls in relation to conflicts of interest.

select Ruffer entities, which is made clear in the COI Matrix. The COI Matrix is prepared and maintained by Compliance, with input from relevant business areas, including the Executive Committee, and Ruffer LLP subsidiaries.

The information contained within such records, and its subsequent reporting, facilitates the effective identification and management of any potential conflicts of interest.

Disclosure of conflicts

If arrangements made by Ruffer to prevent conflicts of interest from adversely affecting the interests of clients and/or funds are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of a client will be prevented, Ruffer is obliged to clearly disclose the general nature and/or sources of conflicts of interest, and the steps we take to mitigate them, to the client before undertaking business for that client.

OUR APPROACH TO ETHICAL INVESTMENT RESTRICTIONS

Ruffer offers clients with segregated portfolios the opportunity to incorporate their ethical values and beliefs into our investment approach. We have been managing portfolios with bespoke ethical investment policies since 2006. One advantage of a segregated portfolio is the transparency it provides, reassuring our clients that we are investing in line with their restrictions. We use a third party ethical screening and research provider, which offers a wide range of exclusion criteria and, to ensure our clients' preferences are met, their exclusions are coded into our portfolio execution systems. Sometimes, it is not possible to incorporate ethical investment restrictions while safely constructing a portfolio aligned with Ruffer's two investment objectives. In such cases, we will work with the client to find a solution that meets their needs.

As at 31 December 2021, we managed funds with ethical restrictions for more than 100 clients.

OUR APPROACH TO SECURITIES LENDING

Ruffer does not loan securities over which we have custody. If we manage monies on behalf of a client in a separate or individually managed account, Ruffer will facilitate securities lending for that client under written instruction.

Our priorities and performance for 2021 and priorities for 2022

5

We continue to evolve and improve our approach to responsible investment and stewardship. In 2021, we targeted the following priorities

1. Publishing our first Task Force on Climate-related Financial Disclosures (TCFD) report after Ruffer became a supporter in May 2019
2. Integrating climate change risks and scenario analysis into Ruffer's risk management processes
3. Widening the scope of our engagement activities to ensure a consistent approach to stewardship
4. Further integrating the Sustainability Accounting Standards Board (SASB) criteria into our ESG and fundamental analysis, while also building out the due diligence requirements for our specialist funds
5. Revising and enhancing our internal voting guidelines to incorporate the expectations of our clients and market norms

What did we achieve in 2021?

1. We have published our inaugural Task Force on Climate-related Financial Disclosures (TCFD) report which provides an insight into our thinking around climate change
2. We have integrated climate risk data into our scenario analysis and risk management, and we have extended our capabilities of reporting climate metrics on funds and portfolios. We have also developed a proprietary sovereign ESG tool, allowing us to further embed climate and ESG risk analysis in our multi-asset portfolios and funds
3. We have progressed our engagement efforts which will continue in 2022 as part of our larger investment process review
4. We have integrated the Sustainability Accounting Standards Board (SASB) criteria into our ESG and fundamental analysis, while also building out the due diligence requirements for our specialist funds
5. Increased the volume of voting, plus incorporating a number of bespoke client arrangements

What plans do we have for 2022?

1. To develop a robust and thoughtful Net Zero climate strategy for client portfolios and core funds given Ruffer has become a signatory to the Net Zero Asset Managers Initiative
2. Further integrate climate risk and opportunity analysis in security selection and portfolio construction utilising a repeatable, systematic, and consistent methodology
3. Widen the scope, effectiveness and rigour of our engagement plans and activities
4. Update and extend our internal voting guidelines to continue to meet governance expectations and provide clarity on how we vote on social and environmental resolutions
5. Ensure high quality ESG analysis within Ruffer through shared responsibility between Research Analysts and ESG specialists, through a combination of peer review and feedback, formal and informal education and coaching and mentoring

Collaborative integration 4 7 8 9 10 12

ESG INTEGRATION IN OUR INVESTMENT PROCESS 8

Ruffer has one investment approach. We actively manage investments, mainly in conventional assets, and operate freely, without restrictive benchmarks. In all we do, we seek to be responsible investors, integrating ESG considerations into our investment process across all our client portfolios and flagship funds. Ruffer demonstrated this commitment to ESG integration by becoming, and remaining, a signatory to the Principles for Responsible Investment (PRI) since January 2016.

Our framework references our purpose defined through our two investment objectives. We believe investing responsibly will lead to better long term performance for our clients. The macro environment guides our asset allocation across the two major asset classes: sovereign bonds and listed equities and, our positioning within other asset classes such as commodities, options and derivative strategies. The micro environment refers to the fundamental analysis, including ESG factors, of the securities (both bonds and equities) we buy, sell and hold.

Our stewardship activities assist Ruffer with both the macro, contributing to the identification and assessment of market-wide, systemic risk and well-functioning markets, and the micro, identifying engagement opportunities and, ESG strengths and weaknesses, and making a difference through proxy voting and collaboration with others. Stakeholders include our data providers, regulators, central banks, non-governmental organisations and industry-led initiatives. We engage with and contribute to stakeholders on a selective basis. Our primary stakeholder, and the party to whom we owe our fiduciary duty, is our clients. This framework is both feedback loop and continuous improvement: recognising that as information and knowledge is acquired, our investment conviction or stewardship activities may change in response, including our journey to Net Zero.

OUR FRAMEWORK

RESEARCH METHODOLOGY

Listed equities

As an investment manager with a relatively concentrated portfolio of equity holdings, ESG considerations represent both sources of value and of risk. As we have one investment approach and conduct our own research, we systematically integrate these considerations across our investment process. Our ESG framework allows an exploration of industry and sector-specific trends or themes, such as potential regulatory headwinds, possible disruption or how a company compares to industry best practice. The micro view then provides guidance to examine the risks and opportunities of each company separately on a fundamental basis.

Our decision to invest in a company is based on fundamental research, which integrates ESG research and analysis. During 2021, our equity research process evolved such that the Research Analyst who completes the fundamental analysis integrates ESG into their recommendation. That analysis is now stored in a standardised template. Our ESG analysis incorporates a range of qualitative and quantitative considerations drawn from internal and external research and, formal and informal data sources. The analysts may access the expertise of ESG specialists for clarity on specific issues or queries both during the due diligence and over the lifetime of the investment. Each assessment covers potential areas for engagement, with materiality driving our decisions on where to focus our engagement resources.

We analyse relevant company information including annual and sustainability reports. Our primary source of ESG data, metrics and research is MSCI ESG Research. Our secondary sources include data packaged inside Bloomberg and FactSet. The Sustainability Accounting Standards Board (SASB) framework provides us guidance on material issues to be considered at company-level. The Transition Pathway Initiative (TPI) and CDP (previously, the Carbon Disclosure Project) provide important insight into carbon risk management and the transition to a Net Zero economy. Institutional Shareholder Services (ISS) provides proxy voting research and the voting platform to exercise our votes.

We review our data providers' performance from time to time and, meet with emerging and alternative providers to assess whether their product or service could add value for our clients. To enable preparation of our TCFD Report, we enhanced our resources by acquiring additional metrics related to carbon and climate risk from MSCI. We acknowledge carbon data (scope 1, 2 and 3, relative and absolute emissions) and climate-related metrics are incomplete and evolving, respectively. The ecosystem, while established by the then CDP in 2000, is still developing. There are gaps, estimates, errors and timing issues which investors must be cognisant of when interpreting third-party analysis and integrating into investment decisions.

ENGAGING WITH OUR CLIMATE DATA PROVIDER ENABLING TCFD REPORTING AND INFORMING OUR CLIMATE FRAMEWORK 9 10

As part of our inaugural TCFD report (ruffer.co.uk/tcfd-report-2021), Ruffer committed to integrating climate scenario analysis into our investment risk process. As a result, we now compile a climate risk report that is presented and discussed at our quarterly stress testing meeting – attended by our CIO, Henry Maxey, and the senior members of our macro research and risk teams. The report utilises climate scenario data from a leading third party ESG provider to highlight the key sources of climate risk in the portfolio, so we can confirm they are appropriately understood, and managed.

This type of climate scenario analysis combines high level climate models, policy assumptions and physical asset databases to estimate projected costs to businesses from particular climate pathways between now and 2100. These are split into two types of climate risk: the physical aspects of the climate changing around us (such as rising sea levels) and the policy and technological changes necessary to move to a Net Zero carbon economy, known as 'physical' and 'transition' risks respectively. Such forward looking analysis is fraught with uncertainty, especially given how new the application of such data is to the investment processes.

One of the key advantages of Ruffer's ESG integration is that whilst we utilise the top-down data of third party ESG providers to help inform our decisions, this is always paired with the bottom-up analysis of our dedicated team of research and responsible investment analysts. Having a single investment approach with one concentrated portfolio of a small number of securities means that our analysts have a deep understanding of each security and the associated ESG risks and opportunities. This means we are well placed to interrogate the output of the climate scenario analysis.

Over the three quarterly reporting periods thus far, we have identified a number of aspects of the data that warranted further investigation. When we saw a large drop in transition risks (resulting from an increase in technology opportunities for some of our energy stocks) and rise in physical risks between the first and second quarterly reports, we set up a working group of company analysts to investigate these changes. They looked into the underlying data, with a view to better understand the outputs and engage with the data provider on the current limitations of their methodology.

We concluded that we are comfortable with the climate modelling that informs much of the analysis. In particular, the carbon tax modelling that leads to directly comprehensible transition risks for sectors that emit carbon dioxide. Where we have had more difficulty, is in reconciling how this interacts with the more granular, company specific detail. This leads to outputs that do not always align with our company analysts' detailed knowledge of the companies in question. In particular, with regards to the way the methodology calculates technology opportunities and the way it attributes physical risks. Having engaged with the data provider on a detailed list of questions aiming to get to the bottom of the methodology in these areas, we have received initial responses that still leave outstanding questions. We are now in the process of organising a workshop with our analysts and the data providers to address these.

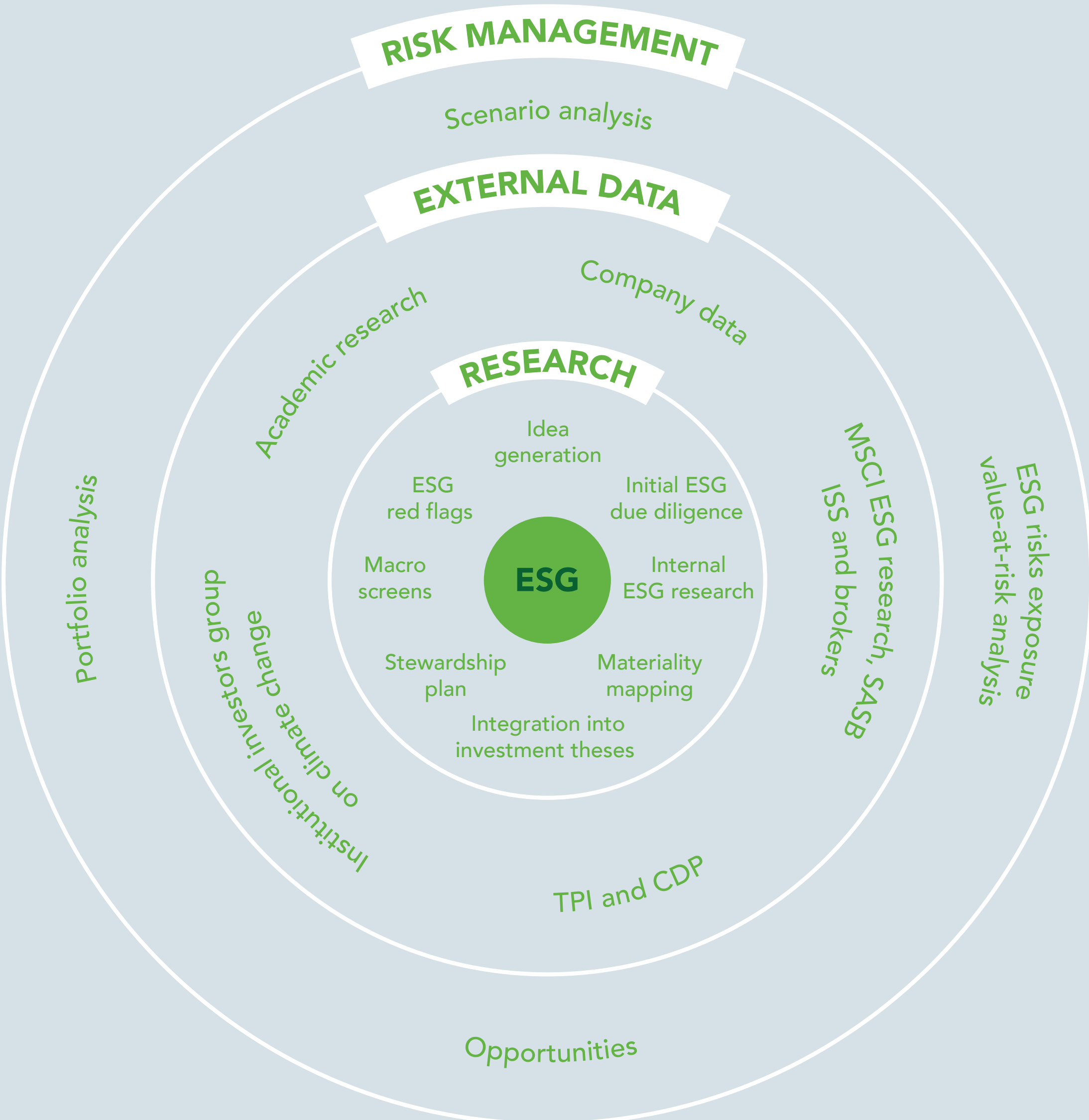
THE AIM OF THIS ENGAGEMENT EXERCISE IS TWOFOLD

1. To ensure that we fully understand the climate risks for the companies that we invest in face, at least within the constraints and limitations of the climate risk model. In doing so we can confirm that those areas in which we disagree with the data represent potential sources of opportunity. To benefit from our analyst's superior insight into the company and its ability to manage risks that the headline data does not credit.

2. To provide the opportunity to engage with the data provider to offer refinements to the way their top-down climate modelling interacts with more granular company specific data. Done well, this can make the output more accurate, reliable and ensure the data reflects a fair assessment of climate risk and opportunity.

We acknowledge in some instances, quantifying risks or opportunities in traditional investment terms may not be possible, so a qualitative assessment is more appropriate. In these cases, Ruffer refers to its investment beliefs and its client focus to guide decisions on these companies and issues. This is prescient at the macroeconomic level where our Responsible Investment team works closely with our Research Analysts to identify risks and opportunities on long term developments such as climate change, water scarcity and technological changes. These themes are particularly important in certain sector discussions, such as banking and metals and mining.

ESG INTEGRATION



Equity security selection

Ruffer has further integrated ESG considerations into the stock selection process over the last 12 months. As part of our ongoing due diligence during security selection, all stocks now have ESG factors assessed and documented through the lens of materiality to the investment case. At the same time, we will assess whether any of these individual risks or opportunities warrant direct engagement with the company as part of our normal dialogue with our investee companies.

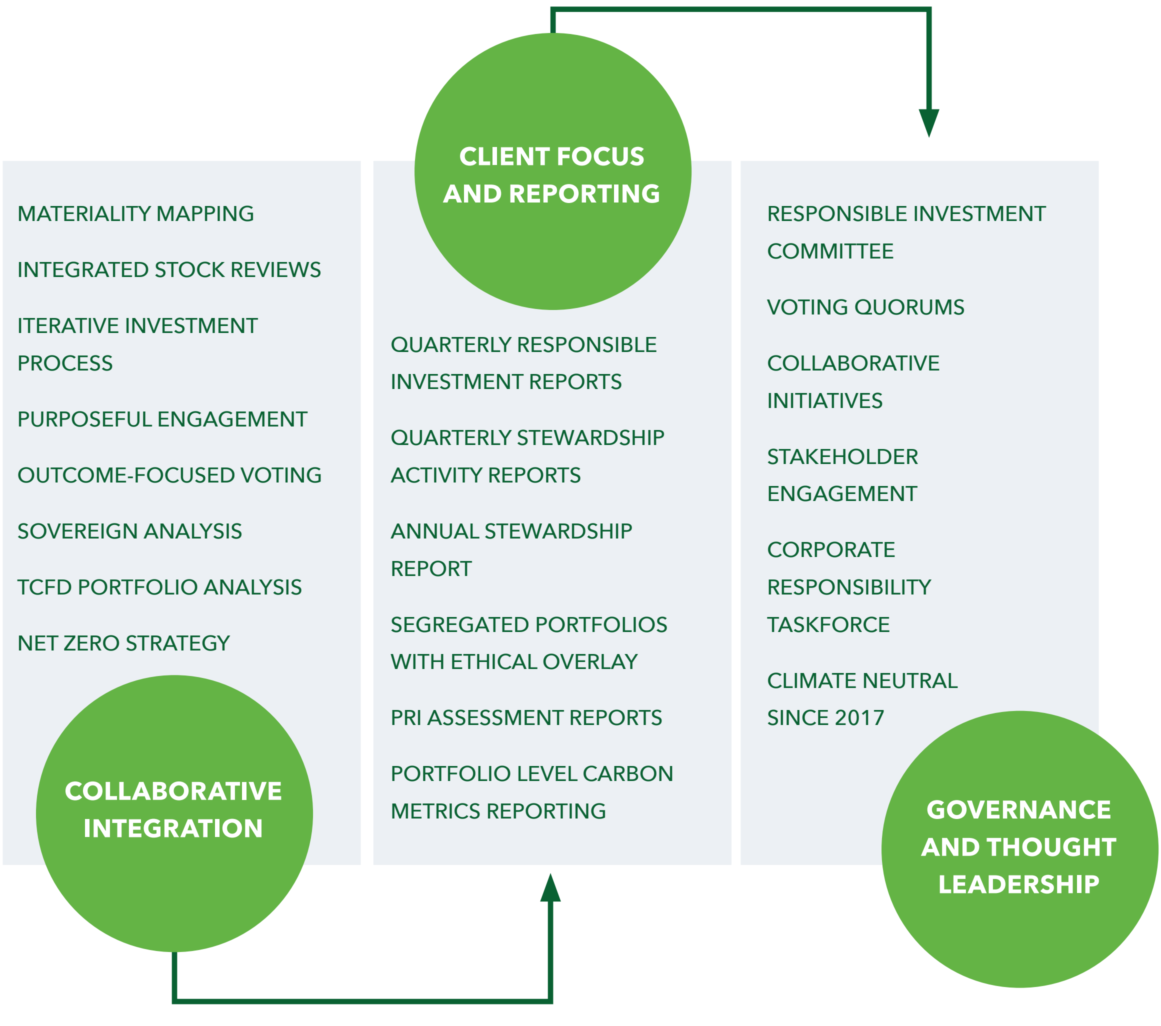
The level of ESG due diligence required is graded depending on the size of the holding or the proportion of issued share capital held by Ruffer. For larger holdings a more extensive due diligence task is carried out requiring more detailed analysis, documentation and consideration. This enhanced due diligence is carried out collaboratively by the analyst using the expertise of the RI team and the ESG specialists, as needed. This ensures a 'four eyes' independent review of issues which are possibly material to the investment case. Further, it broadens the scope of the analysis to capture the above expertise and a wider set of factors, including sector and thematic research, which might not be immediately obvious from a micro stock selection viewpoint.

This analysis is shared within research and with portfolio managers and is important in deciding whether the company is proposed for investment and also, in assessing the level of conviction which influences holding size. It also forms the basis for ongoing company analysis and future engagement, including whether the investment thesis informs the position size over time.

ESG considerations remain under review throughout our holding period, and this is the analyst's responsibility along with the vote at any company Annual General Meeting (AGM) or Extraordinary General Meeting (EGM). Our ESG analysis informs our stewardship activities, and this flows directly into our meetings with companies. If we identify an engagement topic or theme which is material to the investment case, we will engage. Our voting decisions may flow from engagement activities, and we exercise these rights diligently using ISS research as an input into our voting decision.

As ESG risks and opportunities evolve, they are raised both informally 'across the desk' and formally in equity strategy meetings, which may be instigated if a material change to an ESG consideration impacts our investment thesis. This has, on occasion, led to a decision not to invest in a particular company, or to reduce or completely exit a position. An example of this was our holding in Activision Blizzard. More details can be found in the business practices section on page 60.

We believe successful ESG integration also identifies opportunities, such as companies which have made progress on addressing their corporate governance, environmental or social footprint or ones who already manage these well. Examples include companies which are successfully addressing issues like gender, water management, biodiversity risk and capital allocation.



Examples of ESG integration

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, board structure, remuneration and MSCI ESG rating

We requested this meeting with Pfizer to build our understanding of the company's ESG integration, including its climate strategy and the issues surrounding access to medicine in light of the covid-19 pandemic.

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. However, the company acknowledged it is unlikely to match AstraZeneca's pledge.

On the topic of lobbying transparency, we asked how the company has responded to ISS's recommendation that shareholders vote against management on lobbying resolutions. Pfizer produces a political lobbying report, and it feels that it is not out of line with its peers in its disclosure of these activities. We acknowledged that lobbying plays a significant role in the pharmaceuticals 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 lower and middle income 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 in these circumstances. It has licenced out production of its new covid-19 pill and will not be collecting royalties on this.

Finally, we asked how the company's governance structure and policies support its ESG initiatives. At board level, there is a Governance and Sustainability Committee that has responsibility for this area. There are ongoing discussions about introducing ESG metrics into remuneration; the board has looked at the company's peers for comparison but want to ensure the metrics are suitable.

VOLKSWAGEN, which is headquartered in Germany, is one of the world's largest car manufacturers.

Issues: **Environmental and governance – low carbon transition, culture, board structure**

Since our decision to invest in Volkswagen (VW) during 2020, we subsequently met with the company in Q4 of that year. In that first meeting, we focused on its strategy to shift from internal combustion engines to electric vehicles, alongside governance concerns. Since then, the automakers have all been hit by a shortage of computer chips, an essential component of modern vehicles, with VW being no exception. However, whilst that has dinted production, VW continues to engineer hybrid and EVs across its Porsche, Audi, Skoda and VW brands.

In 2021, we initiated a follow-up on the company's progress, particularly after its recent updates on Net Zero commitments. We asked why the company has recently declined to join the auto manufacturers' RouteZero pledge to sell exclusively electric vehicles by 2040. It was explained that, in the short-term, supply constraints were holding back battery and therefore electric vehicle production. In the longer-term, Volkswagen's large footprint in the US and China prevent it from making this commitment. If the business was solely focused in Europe, this target may have been possible. In addition, the company's compliance regime following the 'Dieselgate' scandal has been strengthened, making management wary of committing to the initiative if they cannot be sure of meeting the pledge. 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 introduced a responsible purchasing policy in 2019, overseen and implemented by a dedicated team of 25 people. It requires suppliers to provide assurance of the source of all materials, especially the 2,000 suppliers deemed highest risk. The policy categorically forbids the purchase of cobalt from the informal mining sector, however, the company acknowledged it is not possible to audit all 40,000 suppliers individually. On its operations in Xinjiang province, we were assured 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 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, including how the company has introduced ESG-linked compensation targets for management and the ongoing fallout from the 'Dieselgate' scandal. We continue to monitor Volkswagen's progress, particularly in relation to its Net Zero strategy.

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 disinvest its onshore oil production in Nigeria.

We discussed Shell's Net Zero strategy. In addition to its existing carbon intensity reduction targets (covering scope 1, 2 and 3 emissions), Shell has announced absolute reduction targets of 50% compared to 2016 levels across its scope 1 and 2 emissions by 2030. We welcomed this 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 utilisation and storage (CCUS) and nature-based solutions (NBS). We were informed these are still a nascent part of the business and are therefore a minimal part of its capital expenditure. Shell is targeting 25 million tonnes per annum (mtpa) by 2035 but admitted this is ambitious as an average CCS plant captures around 1.5 mtpa and currently Shell has two operating plants.[4] We asked if its targets were dependent on government support and a particular carbon price. The current projects are dependent on both government and corporate partner support. Carbon prices are used in their financial models, these vary by project and jurisdiction. Regarding Nigeria, we asked whether plans to exit its onshore oil operations had a timeline and what this meant for the ongoing controversies with local communities. It was explained the company had attempted multiple unsuccessful initiatives (Nigeria represents Shell's largest social investment spend) and disinvestment was the last resort. This may take some time due to the nature of the assets. We were reassured Shell was 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. We agreed that this merited an additional call, which we plan to organise in early 2022.

SOVEREIGN BONDS

Sovereign bonds play a crucial role in our clients' portfolios. Holding a bond does not confer proportional ownership of the issuer (unlike holding an equity security, which does). In simple terms, a bond is a loan, a promise to repay principal and interest. We are not benchmark constrained and therefore can diverge significantly from a benchmarks' duration, for example, should our view differ to the market.

Integrating ESG into fixed income, in particular sovereign bonds, presents greater challenge than with equities. We consider both the issuer (the issuing sovereign country, for example the United Kingdom) and where relevant, the issuance (the actual bond, its purpose and its characteristics, such as coupon, tenor and ratings). The latter is made somewhat easier through the development of green and sustainable bond markets, supported through a publicly available framework. Our macro views, and the role bonds play in the portfolio, allow us to integrate ESG at the issuer level. That is, ESG becomes an input, alongside fundamental analyses, into country weight and in turn, security selection and portfolio construction. Ruffer may invest in bonds with maturities out to 50 years.

Sovereign bond security selection

We have established a framework to assess the underlying ESG risks in our sovereign bond holdings to sit alongside and complement our traditional investment analysis of debt instruments. We have built an internal proprietary model to assist us in identifying and assessing sovereign ESG risks, consisting of country-level indicators to gauge each sovereign issuers' exposure. It is impossible to perfectly model every individual factor, but our sustainability framework includes a wide-ranging set of measures. We analyse environmental inputs ranging from renewable energy usage to waste recycling, and population studies assessing physical climate risk in low-lying areas. From a social and governance perspective, indicators are equally broad, touching on health and education, female labour force participation, and measures of political stability and corruption. In total, we assess 14 thematic factors using 37 internationally comparable datasets, for over 180 countries.

The output of the analysis is a sustainability score assigned to each sovereign issuer. The model also allows us to identify where material risks for a particular sovereign are concentrated, giving us a basis for areas to focus future engagement.

To avoid over-penalising developing countries given limited resources for improvement, we assess the development of a country's ESG profile over time, to understand which governments have been taking actions and making improvements. Our framework allows us to identify the areas in which different governments have been making the greatest strides, and where there is still room for them to catch up. This gives us a more holistic, fairer model, not one conditional on a country's initial level of wealth.

The implementation of this framework is necessarily complicated. We could take a simple approach and exclude poorly ranked countries. We think this approach is too simplistic. For example, many African nations which rank quite lowly need capital for development, such as to mitigate against climate change impact. On the other hand, developed economies like the US Treasury market is the world's largest and most liquid bond market; US government debt makes up around 39% of the FTSE World Government Bond Index. To exclude US sovereign debt from portfolios would require a degree of conviction which has, thus far, eluded most investors including ourselves.

Transitioning to a more sustainable world is highly complex and the sovereign framework we have created is not about binary investment outcomes. Instead, it gives us a three-dimensional indicator of the different sustainability risks facing sovereign debt issuers at a time of growing scrutiny and pressure on governments. This information should enhance our investment decision making and risk management of portfolios and assist us in identifying key areas for engagement with policy makers. In recent years, we have engaged with national policy makers in the UK and overseas on topics from future debt issuance to sustainability regulations and disclosures. Arguably, market-wide fixed income ESG analysis and engagement is in its infancy and, successful engagement outcomes or otherwise thereof is debateable but probably best measured over decades rather than years.

EXAMPLES OF ESG INTEGRATION

We largely engage in policy decision-making through industry bodies such as the IIGCC (Institutional Investors Group on Climate Change) and the PRI, particularly on climate change issues. We have responded to multiple consultations in recent years in relation to the European Commission's Action Plan on Sustainable Finance, as well as the UK Treasury Select Committee's Decarbonisation Inquiry. We have also met the FCA team responsible for developing ESG policy twice during the last year to discuss proposals.

As our fixed income holdings are mainly government bonds, our direct engagement activities are limited. Last year, we wrote about our ongoing engagement with the UK Treasury regarding the Retail Price Index, the index which measures inflation. In addition to our engagement activities with companies, we also respond to policy consultations and engage with policy makers on a range of topics.

In 2021, we looked closely at the UK government issuance of Green Gilts. These green financing products are a form of government borrowing to finance projects with clearly defined environmental benefits. The Green Gilt is part of a broader sustainable finance agenda, which is designed to ensure enough private funding is available to realise all the investments needed for the UK's transition to Net Zero. As part of this, the HM Treasury and DMO published the UK government Green Financing Framework, which details how the proceeds from the Green Gilt will finance expenditures to help tackle climate change, biodiversity loss, and other environmental challenges, while creating green jobs across the UK. Green Gilt issuance is linked to the 2019 announcement that the UK was the first major country to pass legislation committing to achieving Net Zero carbon emissions by 2050. The UK Debt Management Office (DMO) raised £16 billion across two issuances during 2021. Ruffer did not participate in the issuance partly because demand was strong and pricing was rich and, partly because we would prefer the issuance of inflation-linked green gilts.

ENGAGEMENT WITH THE FINANCIAL CONDUCT AUTHORITY (FCA) ON ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) REGULATION

We met with the FCA twice over the course of 2021, both times discussing aspects of sustainable finance regulations. Our first meeting was a discussion related to the UK government's ambition to become a leading centre of green finance. Having worked over the last year to prepare for and implement the European Sustainable Finance Disclosure Regulations (SFDR), we offered our views and experience of practical implementation and what lessons could be learnt.

We agreed it is important to protect investors and prevent 'greenwashing'. The SFDR and Green Taxonomy classification system that seeks to address this by distinguishing between different approaches to environmental, social and governance (ESG) investment works well in theory but has some shortfalls in practice. There is a real risk the rigid and backward-looking classification system becomes a box ticking exercise, with an over-reliance on ratings agencies and favouring disinvestment over engagement.

We suggested a number of improvements to the classification system the FCA may wish to consider if implementing similar regulation. We emphasised the importance of relevance and transparency (to protect consumers) in conjunction with investment flexibility and a classification system that does not discourage environmental transition. We noted that for the government to achieve its Net Zero ambition and decarbonise the economy, asset managers have an important role to play through active stewardship and this should be further encouraged.

Our second meeting focused more intently on climate-related disclosure. We welcomed the desire to mobilise listed companies, insurers and asset managers into thinking more about their climate risk and to accelerate the transition to a less carbon-intensive economy. Given the proposed mandatory disclosures are based on the TCFD framework, we gave feedback based on our recent experience of voluntarily producing a TCFD climate report.

We talked about the challenges of analysing climate data across asset classes, where gaps occurred, the reliance on estimates and importance of providing additional context (not just headline data) to ensure investors are given the full picture of a firm's activity and climate considerations.

We praised the proposal's support of active stewardship but suggested further emphasis on the importance of engagement was needed to address climate risk more directly in the real economy. The risk of investment 'greenwashing' was also highlighted, with potential for investors to become misled by the relevance and materiality of specific climate metrics.

We also expressed a desire for the FCA to push listed firms into reporting more on their climate transition plans, with tangible near-term targets and milestones so investors can better incorporate this information into their own investment analysis, alongside climate reporting.

HOW WE APPROACH ANALYSIS OF OTHER ASSET CLASSES 7

In addition to conventional assets, we invest directly and, through specialist external managers, in strategies designed to protect against an increase in financial market volatility (not just equities, but currencies and bonds too) or a widening of credit market spreads. The main instruments used to protect against a widening of credit market spreads are credit default swaps (CDS). To protect against other risks, such as adverse currency or interest rate movements, we use financial instruments such as forwards, futures and options. We may buy or sell instruments that are either over the counter (OTC) or exchange traded.

Utilising these instruments is key to effectively and efficiently implementing the Ruffer all-weather investment strategy. They help us to manage, or offset, market risks when we see clouds approaching. In calendar years 2019 and 2020, Ruffer undertook an overall review of its alternative investment strategy leading to 2021 where we built out an internal team, process and governance. Given this focus on assuring the investment architecture is structured in a way to best deliver our investment objective, we deferred a formal review of ESG integration across these other asset classes.

Impactful ownership 4 9 10 11 12

FOCUSED ENGAGEMENT 9 10

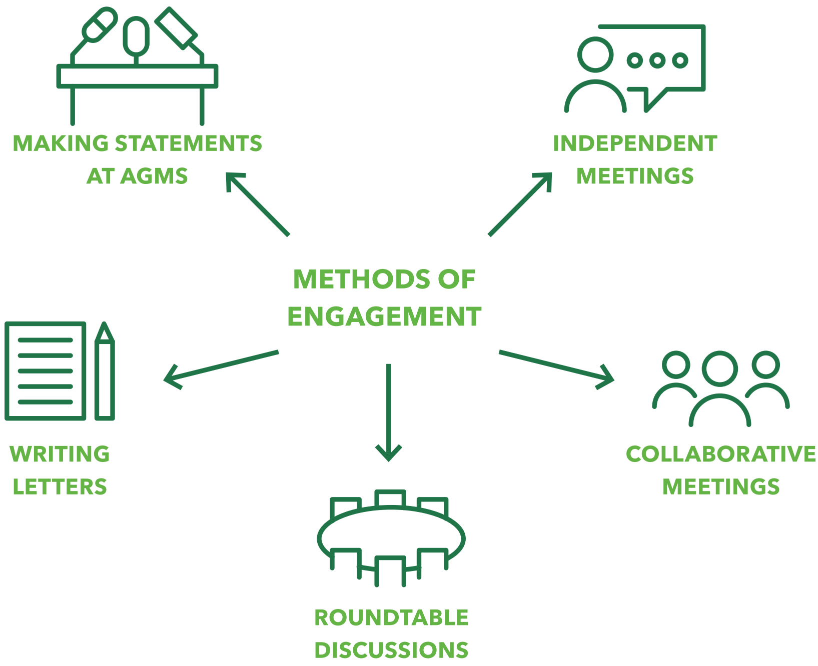
Engagement is an effective tool for achieving lasting and meaningful change.

Engagement with the companies we invest in gives us an opportunity to deepen our understanding of the business. It may also be an effective tool for achieving lasting and meaningful change. By engaging with a company on specific issues, observations, or objectives, we are improving our understanding of how it manages the material ESG risks it faces, potentially challenging its behaviour in relation to ESG, increasing its awareness of regulatory and societal changes or creating change in its disclosure, transparency and management. This may result in superior outcomes and returns for our clients along with delivering benefits to stakeholders, the environment and society. Engagement allows us to share our philosophy and approach to investing with a company and enhances its understanding of our objectives.

Engagement activities are conducted jointly by the ESG specialist and the Research Analyst, sometimes with support from the Responsible Investment team. We consider this collegiate approach to engagement to be particularly powerful. It ensures we have detailed, well-informed discussions with companies on issues we deem to be material, helping to build relationships that enable us to communicate the need for change or to build confidence in the management team.

We will engage independently or through collaborative initiatives with other investors with shared concerns. Our approach to engagement reflects both our specific investment objectives and approach and, the resources we can dedicate to these matters. As we have one investment approach and invest globally, we apply our approach to engagement across regions. We believe stewardship is as much about responsible ownership as a considered approach to selecting companies.

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. While 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, engagement or escalation are not restricted to our major holdings. We prioritise engagement where we have identified



material financial, reputational or regulatory risks. We monitor our engagement with companies and will use a variety of methods to achieve our objectives.

Most of our engagements take place through direct meetings and calls between Ruffer and investor relations teams, sustainability experts, company management or non-executive directors. In some cases, this complements collaborative engagement. To ensure companies understand our concerns but also, importantly, how we have reached these conclusions, we occasionally write letters to company management or board members and attend annual general meetings (AGMs). In addition, other methods can be used to progress engagement, especially when considering complex issues such as climate change where it is necessary for companies to build partnerships both within and across industries. Roundtable discussions are one of the methods to help facilitate this, and Ruffer has participated in roundtables organised by the IIGCC and TPI, and others.

Discussions can focus on a range of topics, including business strategy, acquisitions and disposals, capital allocation, risk management, culture, board effectiveness and succession planning, shareholder rights, corporate responsibility, sustainability and remuneration.

One of our priorities for 2022 is to better track our engagements and look at ways of objectively measuring the objectives of these activities. We did not complete on our 2021 objective to improve the effectiveness of our engagement, as we decided to first standardise our ESG template and how we store the information to prepare the infrastructure to track engagement. We use information and insight from our stewardship activities to better inform the investment decisions we make through our collaborative investment process. Measuring impact more systematically is an objective of the strategic review of our engagement activities.

WHEN DO WE DECIDE TO PURSUE COLLABORATIVE ENGAGEMENT? 10

We collaborate with other investors who share our concerns on issues such as climate change.

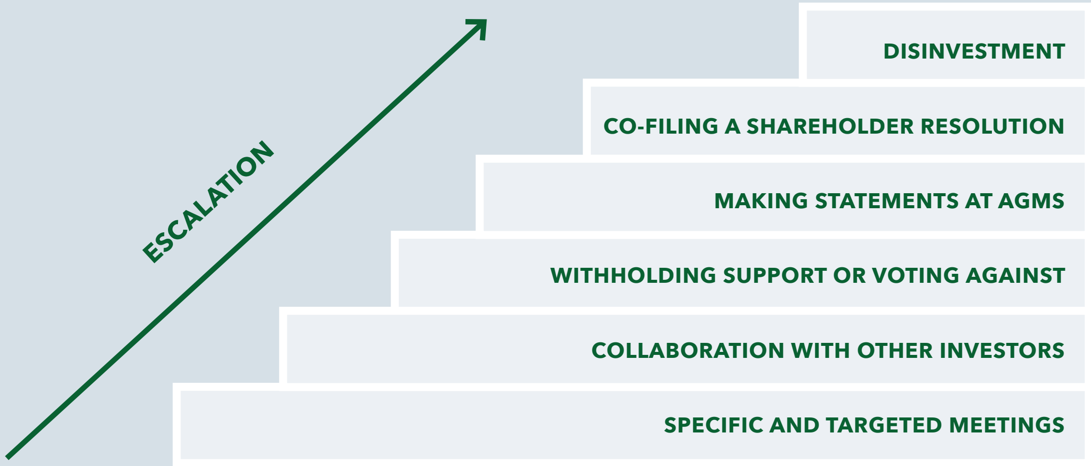
In some instances, we believe collaboration with other investors may be the most productive way to engage. This could be when other investors share our concerns or independent engagement has not produced the desired outcome. Collaborative engagement can also provide a platform to engage on wider sector, regulatory and policy matters with investors and other stakeholders. Ruffer is open to working alongside other investors on both policy and company-specific matters. Decisions to collaborate on company specific matters are judged case by case by the Responsible Investment Committee, with input from the Responsible Investment team, Research Analysts and Portfolio Managers. In 2021, our collaborative engagement was mainly through the IIGCC and Climate Action 100+. On the latter, Ruffer remained lead on the ArcelorMittal collaborative engagement. More details on our involvement in these initiatives and the outcomes achieved can be found in our stewardship themes and engagement examples section on page 50.

HOW WE ESCALATE ENGAGEMENTS 11 12

We consider a variety of tactics to escalate engagements, depending on the circumstances.

When an issue is identified, Ruffer usually raises it directly with the company, often with management or members of the board, to facilitate frank and forthright discussions. If the outcome of this direct engagement is not satisfactory, Ruffer may consider escalation, using a variety of tactics with a range of stakeholders at the target company, including the investor relations team, executive management and non-executive directors. The approach taken depends on the circumstances of each case and may change based upon progress, or lack of progress, against engagement objectives or, other developments or shifting priorities. The internal governance of escalation, including the decision to vote against management, initially involves informal discussion between the Research Analyst, Investment Director and Research Director. If the issue develops to the point of collaborative engagement, co-filing shareholder resolutions or other public disclosure, the Front Office or Research teams may seek approval from the Head of Investment, the Executive Team or the CEO, depending upon the materiality of the issue.

More details on when we have used escalation tactics and the outcomes achieved can be found in our stewardship themes and engagement examples section on page 42.



STEWARDSHIP THEMES REFLECTING MARKET-WIDE AND SYSTEMIC RISKS

Our engagement efforts in 2021 changed as economies emerged from the covid-19 pandemic.

In 2021, we focused our engagements on the themes of climate change, Japanese stewardship and governance, board composition, business practices and capital allocation. Over the year, we held formal meetings with 34 companies across 37 meetings relating to these themes. ESG issues (beyond those we have focused on) often arise in the normal course of meetings and are considered part of the investment case but not formally written into client reporting. More details on our activities in response to these themes, the effectiveness of our response and how we have incorporated this into our investment decision-making can be found in our stewardship themes and engagement examples section on page 42.

Although we examine the risks and opportunities of each company separately, every year there are themes – often reflecting industry trends – that influence our voting and engagement activities. These themes reflect market-wide and systemic risks which are potentially material for investee companies. These risks are identified through our macroeconomic and ongoing dialogue and, assessed for management by bottom-up or fundamental analysis. As responsible stewards of our clients' assets, we respond to these risks to promote well-functioning financial markets. Our response will differ depending on the risk identified and whether we decide an independent or a collaborative approach is likely to be most effective.

In our 2022 Ruffer Review (ruffer.co.uk/ruffer-review-2022), Jamie Dannhauser, Ruffer's economist, wrote an article titled 'Taking back control?' which discussed inflation and, inflationary pressures. The piece goes to the heart of how Ruffer identifies and responds to market wide and systemic risks and, to a lesser degree, promotes well-functioning financial markets. As we know, inflation gnaws away at spending power: a dollar today is worth more than a dollar tomorrow. And given what we have witnessed in the ten or so years since the global financial crisis and, the 20 years prior to that, with inflation targets in the 2-3% band, nominal bond interest rates declining to zero and, the most recent massive expansion in central banks' balance sheets, fuelling market liquidity and putting global economies on life-support; in our view, inflation and inflationary pressures are a market-wide and systemic risk which threaten the preservation of client capital.

As Jamie writes, "In short, our destination is a regime hostile to stable, non-inflationary growth. Globally, inflation will likely be higher on average and more volatile. Thus, inflation risk, an absent adversary throughout the careers of most investors, will need to be priced once again. If the absence of inflation risk is the defining characteristic of today's financial markets, its return will have profound consequences for prospective asset returns and cross-asset dynamics". At Ruffer, we worry about many things which may derail successful client outcomes. Inflation is (currently) one of them. We look to various historical time-series and, await release of updated data, to inform debates or shift our market view. While we look backward, we invest forward and must be cognisant of what faster-moving data points are telling us, and therefore how to position client funds to protect against these broader risks, such as inflation. Hence why we communicate to clients an investment horizon that extends through a cycle – from peak to trough to peak. And for ourselves, to invest with a disciplined long term view, allocating capital to the market where we think client funds are best protected from downside risk but exposed to long term returns, with a willingness to challenge our assumptions and shift allocation as we observe change.

Our stewardship themes in 2022 will continue to incorporate ESG considerations, with climate change at the heart of our efforts. Climate Action 100+ has entered the final year of its first phase of its five-year engagement plan. It is set to launch an update of the Net Zero Company Benchmark which we utilise in our company analysis, where relevant. For example, the collaboration between investment managers and asset owners contributed to progress in the form of Shell's energy transition plan and the Equinor 'say on climate' plan.

Engagement summary

Ruffer believes that investor 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.

In this section, we highlight significant ESG engagements and, where possible, show the outcome or whether the issues are still under review.

ENVIRONMENT

CLIMATE CHANGE

- Setting short, medium and long-term greenhouse gas emissions reduction targets
- Achievement of targets linked to executive remuneration
- Alignment of business strategy and capital expenditure with the goals of the Paris Agreement
- Management and board oversight of climate-related risks

DATA DISCLOSURE

- Greenhouse gas emissions (scope 1, 2 and 3)
- Climate scenario analysis
- Alignment with the Task Force on Climate-related Financial Disclosures (TCFD)
- Life cycle analysis of products
- Environmental reporting

LOW-CARBON TRANSITION

- Companies pursuing opportunities by adjusting their business models

SOCIAL

HUMAN CAPITAL AND EMPLOYEE RELATIONS

- Clarity on how the company manages its human capital
- Health and safety issues

COMMUNITY RELATIONS

- Ensuring a company's social licence to operate
- Indigenous rights

GOVERNANCE

BOARD STRUCTURE

- Independence of non-executive directors
- Ensuring effective decision making
- Diversity of skills

GOVERNANCE IN JAPAN

- Unwinding of cross-shareholdings to improve returns on equity
- Removing takeover defence measures

ACCOUNTING QUALITY

- An assessment of the completeness and accuracy of the financial statements

BUSINESS PRACTICES

- Refers to organisational culture, policies and oversight of business activities

SUSTAINABILITY STRATEGY

- The company wide approach to manage its sustainability footprint

SHAREHOLDER RIGHTS

- The principle of 'one share/one vote'

REMUNERATION

- Policies with challenging and well-defined criteria to ensure management aren't rewarded for poor performance

STRATEGY AND ALLOCATION

- To support the creation of shareholder value

Stewardship themes and engagement examples

NOTABLE VOTING AND ENGAGEMENT ACTIVITIES IN 2021

CONTINUING TO CO-LEAD THE ENGAGEMENT WITH ARCELORMITTAL FOR CLIMATE ACTION 100+

VOTING IN FAVOUR OF THE SHELL ENERGY TRANSITION PLAN

ADVISORY VOTE ON AENA'S CLIMATE ACTION PLAN

ENGAGING WITH BRITISH AMERICAN TOBACCO ON POTENTIAL FORCED LABOUR

ENGAGING WITH MITSUBISHI ELECTRIC ON BOARD STRUCTURE AND BUSINESS PRACTICES

Climate change

HOW WE CONSIDER CLIMATE CHANGE RISKS AND OPPORTUNITIES

At Ruffer, climate change is an ongoing stewardship theme in our voting, engagement, and investment activities. It is ongoing because we believe climate risk is both a threat to and an opportunity for our clients and investors' capital and income. We also recognise it is dynamic: the world has warmed, on average, by about 1.2°C and, based on current policies and actions, is on track to warm by 2.7°C by 2100, introducing additional climate uncertainty.[5] Therefore, new science, company responses and emerging technologies must all be considered in any investment strategy.

We believe climate risk cannot be disinvested away; it must be managed like other investment risks.[6] That is, a simple exclusion approach may lower portfolio carbon footprint, but may neither translate to real world reduction in anthropogenic carbon emissions nor protect the portfolio from climate-related shocks. For the latter, we believe actively managing climate risks and opportunities is the best way to protect and enhance client monies. Since nearly every company has exposure to climate change, ESG factors are integrated with security selection and ongoing portfolio construction. There will be investment opportunities as companies transition to lower carbon footprints and as new investable business models disrupt the status quo.

We discuss further the disinvestment and engagement approach in our 2021 Climate Change Framework report (encompassing the TCFD recommendations), a summary of which follows.[7] The release of this report coincided with the important UN Conference of the Parties (COP26) that was held in Glasgow.

"If we don't act now, it'll be too late."

SIR DAVID ATTENBOROUGH, AHEAD OF COP26

5 Climate Action Tracker
6 Climate risk manifests in three broad categories: regulatory or legal, weather related or physical and, transition or disruption
7 More information is available in our climate change framework ruffer.co.uk/responsible-investing

UN FRAMEWORK CONVENTION ON CLIMATE CHANGE, CONFERENCE OF THE PARTIES OR, COP26

In November 2021, 120 world leaders and over 40,000 registered participants attended the delayed UN Climate Change Conference, the Conference of the Parties or COP26, hosted by Glasgow. The official outcome was the Glasgow Climate Pact.[8] Arguably, it kept the Paris Goals alive[9] – the ambition of limiting warming to 1.5°C by 2100 – but fell short of committing to deep emission cuts by 2030, agreeing to a coal 'phase-down' rather than a coal 'phase-out'. The developed world failed to mobilise $100 billion in capital by 2020 through 2025 to support climate action in the developing countries. Many of these countries are particularly vulnerable to climate impacts and, while not contributing to the problem, will disproportionately suffer the effects. Progress was made on international carbon markets, aligning nationally determined contributions and, transparency over GHG reporting. Outside of formal negotiations, India aims to reach Net Zero emissions by 2070, 109 countries signed up to the Global Methane Pledge, and 141 countries pledged to halt and reverse forest loss and land degradation by 2030. That said, the UN Secretary-General António Guterres stated "the approved texts are a compromise, they reflect the interests, the conditions, the contradictions and the state of political will in the world today. They take important steps, but unfortunately the collective political will was not enough to overcome some deep contradictions."[10]

OUR 2021 TASK FORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURE (TCFD) REPORT

In 2021, Ruffer published its inaugural TCFD Report, which introduces our Climate Change Framework. This report was divided in two sections. Section one outlined our thinking around climate change covering risk, integration, stewardship and opportunities. Section two responded specifically to the recommendations of the Financial Stability Board (FSB) TCFD in detail, including climate metrics on one of Ruffer's flagship funds. We also discussed our thinking on engagement over exclusion of greenhouse gas intensive sectors and companies, our escalation approach (including disinvestment as the ultimate sanction) and the imperative for credible transition strategy.

8 UNFCCC United Nations Framework Convention on Climate Change
9 WRI World Resources Institute
10 United Nations

Circular economic model

Where resources are continually used and waste is eliminated, in contrast to a linear economic model, where resources are used and then disposed of

Nationally Determined Contribution

A country's commitment to reduce its greenhouse gas emissions and details of how it intends to adapt to climate change, which are submitted every five years

OUR FOUR-PART CLIMATE ACTION PLAN

PART ONE: CLIMATE CHANGE FRAMEWORK

1. MANAGING RISKS

We categorise climate-related risks as physical acute (event-driven natural disasters) and chronic (longer-term shifts in climate patterns), and transition risks, which may include policy, legal, technology and market changes to address mitigation and adaptation requirements related to climate change.

What climate-related signals are we watching?

- Carbon pricing and increased regulation
- Global energy supply and demand mix
  Disruptive technologies
- Transition plans issued by companies and countries
- Hard-to-abate sectors working in collaboration

2. INTEGRATION

We integrate environmental (including climate risk), social and governance (ESG) considerations alongside fundamental analysis into our investment process.

3. OPPORTUNITIES

We utilise standards such as SASB, in-house research and, MSCI ESG and climate metrics including environmental impact metrics, low carbon-patent analysis, low carbon transition score, to identify investment opportunities which potentially contribute to a Net Zero future and align with our investment strategy.

4. STEWARDSHIP

We believe stewardship (engagement, voting, public and social policy) activities can lead to lasting and meaningful change, resulting in better long term outcomes for our clients and for broader stakeholders, the environment and society.

4

DISINVESTMENT AND ENGAGEMENT IN THE CLIMATE CHANGE DEBATE

A question we are often asked: how does Ruffer think about disinvestment and engagement in the context of climate change? Would it be more effective to reduce greenhouse gas emissions from the portfolios by disinvesting from greenhouse gas intensive industries, sectors or companies?

Disinvestment is the act of selling the shares or bonds issued by a company or, to sell sovereign government bonds, in response to concerns over environmental, social, corporate governance or ethical issues. Disinvestment does not necessarily translate to 'real world' carbon reduction but may contribute to reduced portfolio carbon footprint. Disinvestment in isolation may not protect the portfolio from climate risk but may lead to increased cost of capital for carbon-intensive companies which leads to a faster transition to low or zero carbon substitutes or, takes these businesses away from the purview of the listed markets and results in a further delayed transition. It may also result in significant supply-side shocks creating economic distress.

Engagement is the process of dialogue with companies and other relevant parties. Engagement may aim to positively influence (that is, change) companies' behaviour in relation to environmental, social or governance considerations. For example, engagement may target real economy impacts such as the transition to a Net Zero carbon economy. It may be simply to elicit further detail or clarify reporting. Either way, it signals to management and boards and, other market participants, the presence of an active, engaged and interested owner.

At Ruffer, engagement is part of our investment process. Our research identifies ESG gaps, risks and opportunities as part of security analysis. Depending on the observation(s), we develop a formal or informal engagement strategy. This strategy may involve clearly defined targets and timeframes and, can be implemented by the research team with or without specialist ESG assistance. It is not a static exercise. That is, as the external environment changes or, indicators of disruption emerge or regime changes occur, we may review both the investment and the progress and relevance of our engagement strategy.

Engagement and disinvestment are not independent. They are part of a dynamic feedback loop.

Investors, including Ruffer, can commit to engage with a company (or sovereign agency) for a set period or for a set reason. Engagement can be independent (between Ruffer and the company or other entity) or, via the steps of escalation, collaborative through initiatives like the CA100+. If it is deemed that engagement has failed, disinvestment may follow.

PART TWO:
ALIGNMENT WITH TCFD RECOMMENDATIONS[11]

1. GOVERNANCE

Overall accountability with regard to ESG risks and strategies lies with Ruffer's Chief Executive Officer (CEO), Chris Bacon. Ruffer's CEO communicates climate-related risks to the Board. The TCFD report is signed off by the Board. Ruffer's Chief Financial Officer (CFO), Michael Gower, has overall oversight and accountability for the firm's risk management approach. Day to day oversight of ESG and climate integration is a shared responsibility between Henry Maxey, Chief Investment Officer (CIO) and Aled Smith, Deputy CIO.

2. STRATEGY

Ruffer has developed its climate change framework, which includes risk management, integration (which includes additional specialist resource to guide investment strategy through the transition to Net Zero), stewardship and opportunities, as its strategy to manage climate risk.

3. RISK

Ruffer is using climate change scenario analysis to identify macroeconomic climate-related risks and opportunities that could impact the assets in our clients' and investors' portfolios. The scenarios provide a directional indication of areas in the portfolios requiring more assessment or re-balancing and are not to be understood as forecasts, more guidance.

4. METRICS WE MONITOR

- The impact of several climate scenarios (1.5°C, 2°C, 3°C temperature pathways, average and delayed policy scenario, average and advanced physical climate risks)
- The carbon footprint and carbon exposure metrics of our listed equity book. Ruffer uses a set of TCFD aligned metrics to analyse our portfolios' carbon footprint. These include: weighted average carbon intensity, total carbon emissions, carbon footprint, carbon intensity
- Ruffer's operational carbon footprint
- Implied temperature rise (ITR), also described as portfolio warming or cooling potential
- Low carbon patent potential within our equity portfolio
- Sovereign bonds: we monitor, assess and aggregate a variety of country-level factors that can impact an issuer's credit quality.

11 FSB Financial Stability Board (FSB)

JUST TRANSITION

What COP26 did highlight is the need for transition. A transition from current levels of GHG emissions to Net Zero or absolute zero GHG emissions. This transition can only happen over time and, through the actions of investors, companies, regulators and other stakeholders. We seek to understand how companies align their strategies with this transition, including their management of risk and opportunities. In 2022, Ruffer will strengthen our climate-related analysis and integration. Any gaps or shortcomings identified as part of this analysis inform our investment decision and ongoing engagement priorities, as relevant.

During 2021, Ruffer continued co-leading the CA100+ working group engaging with ArcelorMittal. We continued engagement with Shell, including a review of their transition plans and consideration of shareholder resolutions on the agenda at the AGM. As we wrote last year, we think achieving meaningful greenhouse gas emission reductions in the most cost-efficient way, will require new partnerships to be forged not only within, but between, industries. An example of this type of partnership is BP and Microsoft, who signed a deal to use technology (cloud computing, machine learning and data analytics) to assist "cities, key industries and major corporates to develop their decarbonization plans".[12] More details of our engagements can be found in the Climate change section of this report on page 43.

Nationally Determined Contribution

A country's commitment to reduce its greenhouse gas emissions and details of how it intends to adapt to climate change, which are submitted every five years.

Just Transition

Greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind.[13]
It involves maximizing the social and economic opportunities of climate action, while minimizing and carefully managing any challenges – including through effective social dialogue among all groups impacted, and respect for fundamental labour principles and rights. Ensuring a just transition is important for all countries at all levels of development. It is also important for all economic sectors – by no means limited to energy supply – and in urban and rural areas alike.

12 BP
13 ILO International Labour Organization

OUR ENGAGEMENT RESPONSE TO CLIMATE CHANGE

We are engaging with the board and management of companies that make a significant contribution to total GHG emissions. Those that have not published a credible transition strategy, where we identify unmanaged exposure to climate risk, or those companies involved in the transition through disruption or technology innovation. We seek to encourage companies to adapt their business models to or align with the transition to a low carbon economy. As concerns about climate change have intensified, investors' 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+ (CA100+), have been launched. We believe in the power of collaborative engagement and were a founding investor signatory to CA100+. As part of the initiative, we are actively involved in the working groups engaging with a number of European and American companies.

Ruffer continues to be a member of the Institutional Investors Group on Climate Change (IIGCC). We support the IIGCC's shareholder resolution sub-group. Where we deem collaborative or individual engagement activity to have lacked progress or failed, we may support a shareholder resolution to communicate to the board and management our expectations. Voting is an important part of our stewardship activity, and supporting, or actively filing, shareholder resolutions is a component of our escalation approach.

Climate change remains one of our key investment and engagement themes and we have continued our company engagements on this topic. The rise of the Net Zero Asset Owners and Net Zero Asset Managers initiatives, and the progress made on scaling voluntary carbon markets, highlights industry awareness of climate risk and the important role for investors in financing the transition and agitating for change. Consequently, our engagements have focused broadly across our holdings, from banking and financial services across to steel, concrete, oil and gas.

Science Based Targets initiative (SBTi)[14]

For the world to limit warming to 1.5°C, it's estimated society has a remaining carbon budget of between 230-440 billion tonnes of CO2 from 2020 onwards.[15] This is between five and nine years of emissions based on current (2020) levels. The SBTi takes this carbon budget idea and applies it to businesses. That is, a science-based target provides a clearly-defined pathway for companies to reduce its individual greenhouse gas (GHG) emissions and, the pathway is in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement. The SBTi defines and promotes best practice in emissions reductions and Net Zero targets in line with climate science, provides technical assistance and expert resources to companies who set science-based targets in line with the latest climate science and, brings together a team of experts to provide companies with independent assessment and validation of targets. Ruffer use company-level SBTi, where available, as part of our assessment of company transition plans and to guide engagement actions.

14 Science Based Targets
15 Carbon Brief

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.

Issues: Environmental – climate change

Ruffer co-leads the CA100+ working group engaging with ArcelorMittal. In the 18 months leading up to the 2019 AGM, we had intensively engaged with ArcelorMittal through CA100+, where we are one of the co-lead investors. At the AGM, we asked the company to set ambitious targets to reduce its greenhouse gas emissions and to review its lobbying activities. We followed up through 2019 and in December of that year, ArcelorMittal committed its European operations to reduce emissions by 30% by 2030 and to be Net Zero by 2050. In September and October 2020, it expanded this commitment to be Net Zero across its global operations by 2050. In November 2020 Ruffer, on behalf of the CA100+, encouraged the company to set an ambitious 2030 carbon reduction target across its global operations and to publish a robust transition strategy.

During the first half of 2021, the CA100+ working group continued to engage ArcelorMittal. Following up on its September 2020 announcement to target Net Zero by 2050 across its global operations, we discussed this commitment in the context of other developments in the steel industry. We also addressed the CA100+ Net Zero Benchmark which assesses the performance of focus companies against the initiative's three high-level goals: emissions reduction, governance and disclosure. We discussed the company's priorities in meeting this benchmark. ArcelorMittal was positive the assessment of its climate lobbying disclosure should improve imminently. The company provided assurances and delivered upon this commitment by publishing the delayed Climate Change Report in the second half of 2021,[16] including a response to the CA100+ Net Zero Benchmark.

16 ArcelorMittal Climate Action Report 2

Net Zero

When anthropogenic emissions of greenhouse gases into the atmosphere are balanced by equivalent removals from the atmosphere over a specified timeframe; also referred to as climate-neutral.

CA100+ 2021 Net Zero Benchmark rating for ArcelorMittal, as at March 2020

Ruffer used the CA100+ benchmark to guide and prioritize its engagement activities with ArcelorMittal during 2021. The Benchmark was updated in March 2022. In our 2023 stewardship report, we will use the updated benchmark to measure progress against the key success indicators.

	Indicator	Meets all criteria
1	Net Zero GHG Emissions by 2050 (or sooner) ambition	Yes
2	Long-term (2036-2050) GHG reduction targets(s)	Yes
3	Medium-term (2026-2035) GHG reduction targets(s)	Yes
4	Short-term (up to 2025) GHG reduction targets(s)	No
5	Decarbonisation strategy	No
6	Capital allocation alignment	No
7	Climate policy engagement	No
8	Climate governance	Yes
9	Just Transition	Not assessed
10	TCFD disclosure	Yes

Source: ClimateAction100

ArcelorMittal

We also received an update on other projects the company is involved in, including the Net Zero Steel Pathway Methodology Project,[17] the IIGCC steel roundtable, the Science Based Targets initiative and the Mission Possible Partnership.[18] 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 Form.

Following the June 2021 AGM, where Ruffer voted in favour of all resolutions, we continued to engage with ArcelorMittal on its progress with the CA100+ 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. ArcelorMittal would not confirm if the resolution will be put forward stating they had received "mixed feedback" from shareholders. The lead investors discussed why this is an important step and encouraged the company to give shareholders the opportunity to vote.

The meeting was held during the consultation period for the CA100+ Net Zero Company Benchmark. This open review period ran from 1 December 2021 to 31 December 2021 and will inform the final scores that will be published by CA100+ in an update to the benchmark in March 2022. The company began by updating the group on its progress since the last meeting in Q2 2021. It has issued a new, group-level greenhouse gas emissions reduction target of 25% by 2030 (scope 1 and 2) as well as increased the target for its European operations to 35% (from 30%) by 2030. The company aims to have the world's first zero greenhouse gas emissions steel plant in 2025.

We discussed the CA100+ Net Zero Company Benchmark and the work the company has done to align its strategy to the framework. The company was disappointed by, and disagreed with, some of the initial scores but we emphasised that the consultation period was an opportunity to improve reporting and disclosure and to flag where there are disagreements. The lead investors requested that ArcelorMittal engages with the CA100+ Net Zero Company Benchmark to ensure its progress is reflected in the final benchmark scores.

17 Net Zero Steel Pathway Project
18 Mission Possible Partnership

There was a debate around target timelines with the company admitting that it could not set targets for 2025 as this was too soon and that the 2030 targets it has set are more realistic. The company intends to spend the next five years improving efficiency within its current operations suggesting significant changes will occur from 2025. We encouraged the company to publish a roadmap covering this period for transparency reasons, along with setting investor expectations.

ArcelorMittal previously launched XCarb™, an umbrella brand that groups together all the company's reduced, low and zero carbon steel making activity, along with wider initiatives and green innovation projects. The company reported that it is encouraged by the increased demand from its customers. ArcelorMittal believes that technology will be key to the energy transition and has made several investments in companies that can help it here. It has continued to be involved with new and existing initiatives (listed above), as well as becoming a founding member of the Breakthrough Energy Catalyst program.[19] The company is a leader in driving the green steel agenda and notes customer demand and industry collaboration are essential. ArcelorMittal has also been working with the Science Based Targets initiative since July 2021 which has convened an expert advisory group on the steel industry.[20] This group will create a new methodology for setting science-based emissions reduction targets for the industry which ArcelorMittal expects to be finalised by the end of 2023.

The meeting also discussed the company's new climate-related remuneration policy which will link 30% of the long term incentive plan grant to safety, climate and diversity targets from 2022. We emphasised that the remaining 70% of incentives should not conflict but rather also align with these ESG targets. On the topic of lobbying the meeting also requested the company engage with InfluenceMap to reassess its lobbying activity. We will engage with the company again prior to the 2022 AGM and once the final benchmark scores are released.

Our engagement work with ArcelorMittal is ongoing.

19 Breakthrough Energy
20 Science Based Targets

ExxonMobil

9 10 11

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

Issues: Environmental and governance – climate change and board structure

Ruffer has engaged both independently with ExxonMobil and through the CA100+ working group, where we are a supporting investor.

Ruffer intensively engaged with ExxonMobil over the period 2016 through 2020, both through the CA100+ working group and independently. Over this period, we escalated our activities signalling to the Board and management that ExxonMobil were not meeting the expectations of shareholders. In 2016 and 2017, we voted in favour of a shareholder resolution to "report annually on how technological advancement and international climate-change policies focused on keeping temperature increases well below 2°C will affect its business and investment plans". The resolution was successful in 2017 with 62.1% support[21] despite not being supported by the board. The company produced its first energy and carbon summary report in 2018, which analysed climate scenarios that limit the increase in temperatures to 2°C.

The CA100+ working group considered the disclosure insufficient and subsequently in November 2018, Ruffer, as co-lead, continued engaging through an in-person meeting held in Boston. The discussion focused on improving governance, reducing emissions, increasing disclosure and, addressing why ExxonMobil was resistant to disclose GHG emissions reduction targets in line with the Paris Agreement. We co-filed another shareholder resolution for the 2019 AGM asking ExxonMobil to disclose short, medium and long term greenhouse gas reduction targets that are aligned with the Paris Agreement. ExxonMobil asked the US Securities and Exchange Commission (SEC) for, and was granted, 'no action' relief and so did not include the resolution on its 2019 ballot.

At the 2019 AGM, we escalated our engagement by voting against the re-election of all non-executive directors. Further, we voted in favour of shareholder resolutions proposing: an independent Chair of the Board, a board committee to assess social and environmental issues and, additional disclosure of the company's lobbying activities. Prior to the AGM, we had written to the CEO and Chair of the Board and the Company Secretary explaining our voting intentions and reiterating our frustrations and concerns about management of climate risk.

Engagement continued through late 2019 and in 2020, collectively and independently. We again encouraged the company to disclose GHG emissions in relation to its products and the setting of specific short, medium and long term emissions reduction targets.[22] At the 2020 AGM, again we voted against the re-election of all non-executive directors and supported a resolution asking for an independent Chair of the Board. In the first half of 2020 we escalated further by dramatically reducing our holding in the company. The lack of progress of our individual and collective stewardship activities and, the failure of the board and management to publish a credible transition strategy, were key to that decision.

21 ExxonMobil (2017), Proxy voting results
22 Scope 3 emissions, as defined by the Greenhouse Gas Protocol, are all the indirect emissions, except purchased heat and electricity, that occur in the value chain of the reporting company, including both upstream and downstream emissions

Two activist investors, DE Shaw and Co and Engine No. 1, emerged towards the end of 2020, both aggressively pushing for change at ExxonMobil, in terms of capital allocation and shareholder returns and, climate risk management, respectively. On the back of this news, we reviewed our analysis and re-built a small position in ExxonMobil within one of Ruffer's flagship funds, alongside the positions we had built in European energy stocks during 2020. We re-engaged with the company ahead of the AGM in May 2020 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 CA100+ Net- Zero Company Benchmark.

At the AGM, Ruffer voted for three of the independent directors proposed by activist investor Engine No. 1. We view these appointments as accelerating change at the company, supporting greater board effectiveness and escalating our 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. Three of Engine No. 1's (four) nominees were successfully appointed. The three nominees would join nine members from the company, including two nominees added to the board as part of a pact with D.E. Shaw and 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 how its lobbying aligns with the Paris Agreement garnered more support than the generic lobbying proposal.

Ruffer continues to engage ExxonMobil, alongside the energy companies held in the portfolio. Through engagement we may seek to encourage improvements in governance, board effectiveness, disclosure on climate-related data, the overall strategy with respect to managing a transition to a Net Zero economy, and the CA100+ Net Zero Company Benchmark.

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**

The meeting was organised to discuss Chesapeake's ESG approach following 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 part of the executive compensation programme. Alongside an ESG Advisory Board, an ESG Council was established in 2021 and comprises a cross-section of the employee base. When we met, the company planned to release a new ESG report and a microsite,[23] which it subsequently did in December 2021. The company will provide real-time data on issues such as greenhouse gas emissions reduction targets. The company invited our feedback on this report which we intend to provide in the first half of 2022.

We were pleased to see that the Chair and CEO roles have now been separated. Chesapeake now plans to appoint a new Chief Financial Officer, Chief Operating Officer and a Chief Sustainability Officer. Asked about board diversity, the company said it hopes to have a larger, more robust and diverse board going forward. Although Chesapeake believes it is in line with its US upstream peers across its employee base, it is looking to improve. 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 CO_2 emitted per thousand barrels of crude oil equivalent produced) by 2025, and it now believes that it will achieve these targets early. Its other focus is ensuring all of its gas production is certified as responsibly sourced by the end of 2022. 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) and how this could be further improved. We agreed to organise a follow-up meeting early in 2022 to provide feedback on the company's ESG reporting and data disclosure.

23 Chesapeake Energy

BARCLAYS

9 10 11

BARCLAYS is a global bank with domestic and European banking exposures, a global investment banking franchise and a US credit card business

Issues: Environmental and governance – climate change and board structure

Our first meeting with the Chairman was held in Q3 2021 and was arranged following the AGM held in May, where Ruffer supported the Board and voted against a shareholder resolution brought by Market Forces, an Australian environmental campaign group. We felt this binding resolution, which required, among other things, the company to phase out its provision of financial services to certain sectors, was too onerous at this stage in the context of Barclays' global business activities. Instead, we felt there was a strong argument for monitoring the execution of the existing plan the company introduced last year after engaging with various shareholders and stakeholders. Management acknowledged our need to better understand their targets and plans.

By way of background, Barclay's progress on their climate change policies began with a benchmarking exercise in autumn 2019, followed by several meetings with activist group ShareAction ahead of the 2020 AGM. This allowed the company to propose and pass their own resolution to further their commitment to tackling climate change. The aim of this meeting was to better understand the company's timeline to developing its climate change policies, the impact of the last two shareholder resolutions at the 2020 and 2021 AGMs, their current policies on the issue and strategy going forward.

We discussed the financing of certain sectors, particularly the emission intensive and fossil fuel sectors. It was explained the company take an engage rather than disinvest approach, which Ruffer is supportive of. This applies to lending in the energy and power sectors currently, with the aim of extending the reporting and data analysis to all sectors covered by their financing portfolio, including metals. Management acknowledged the need for more detailed data and targets which will be the aim for the second half of 2021. Barclays also accepted it needs to provide more interim targets to provide internal impetus and benchmarking to their initial Net Zero 2050 commitment, however, it is unclear whether these will be 2025 or 2030 targets. The company made the point the acceptable frontier of policy and action had been brought forward, and it aims to be a leader in the area with the understanding this will require significant internal resources. It was noted Sasha Wiggins, Group Head of Public Policy and Corporate Responsibility, leads the development here and there is a Climate Committee of the Executive board. We also discussed succession planning for the CEO, and historic engagements the board has had with activist investor Edward Bramson, via Sherborne Investors. This initial, exploratory meeting informed our view of Barclays and identified the need for continued engagement on setting additional targets and further refining climate change policies later in the year. This was confirmed by management acknowledging the need for more detailed GHG emissions data and targets across all sectors covered by its financing portfolios.

We held a second meeting in Q4 2021 to receive an update on Barclays' progress on its climate change policies. We were encouraged to learn significant progress has been made in the two highest emitting sectors, energy and power, including the setting of 2025 targets which it is on track to achieve. In terms of this progress, we also discussed management's decision to use absolute emission reduction targets for the energy sector and intensity reduction targets for the power sector. With respect to the power sector, management believe the latter is more appropriate as it drives improvements in energy efficiency, whilst continuing to meet power requirements.

Discussion also focused on the next steps for the remaining sectors in Barclays' lending book. The company confirmed that the work has been ongoing; it will announce the findings for two further sectors, cement and metals, in the company's ESG report in February 2022 and plans to address the 10 next highest emitting sectors within 18 months. Most portfolios will be measured primarily based on intensity reduction measures, at least in the earlier stages of transition. We stressed the need to aim for absolute emissions reduction targets in the longer-term, in addition to aligning with benchmarks and target setting with pathways that will achieve Net Zero emissions by 2050. In terms of the timeline, we questioned whether the pace of delivery could be improved if more resources were behind the programme. Barclays reassured us the timeline is reasonable given the complexity in setting targets for each sector; the programme has significant investment and backing through the executive committee and resource is not a constraining factor. We encouraged the company to continue engaging with shareholders on its transition plan ahead of the next AGM in 2022.

Finally, management confirmed they are maintaining an ongoing, constructive dialogue with shareholders and activist groups (including ShareAction and MarketForces), and this is helping to shape ongoing discussions around target setting for each sector while securing shareholder support. On succession planning, which we discussed at our Q3 meeting, Barclays reported it has been pleased with the transition following Jes Staley's departure and the appointment of CS Venkatakrishnan as Group CEO.

Business practices

HOW WE CONSIDER RISKS RELATED TO BUSINESS PRACTICES

Business practices are something of an esoteric concept. Unfair business practices encompass fraud, misrepresentation, and oppressive or unconscionable acts or practices by business, often against consumers. Therefore, fair business practice includes both the absence of these behaviours and, signals like culture, policies, signatory to codes and standards (such as the United Nations Global Compact), treatment of stakeholders, lobbying activities, management quality and governance oversight. We consider these risks as part of our analysis, utilising MSCI ESG Research, media reporting and third-party research. Reputation, business disruption through staff turnover (particularly the CEO and Chairman), loss of key revenue streams, regulatory fines and rectification costs are assessed on a case-by-case basis.

OUR ENGAGEMENT RESPONSE RELATED TO BUSINESS PRACTICES

In 2021, we engaged with several companies on their responses to business practice failures. Over the year we discussed business practices with BAE Systems, Activision Blizzard, COTY and Toyota Industries. We voted against the remuneration report at BAE Systems and, against the re-election of two directors at Toyota Industries. Elsewhere in this report, we discuss our research, engagement and voting activities related climate risk, the management of which could be considered part of company business practices.

9 11

ACTIVISION BLIZZARD develops and publishes interactive entertainment and distributes its content and services on video game consoles, personal computers and mobile devices. It is headquartered in the US.

Issues: Social and governance – employee relations, board structure and business practices

We requested this meeting with Activision Blizzard to discuss recent, serious allegations of misconduct, ranging from unequal pay to sexual assault brought by female employees and an investigation by the Wall Street Journal into how these allegations and regulatory probes into the company's culture have been handled by CEO Bobby Kotick.[24]

We focused on trying to understand the company's culture, whether there are systemic shortcomings and what is being done in response. Culture is particularly important in creative industries such as media and entertainment for attracting and retaining top talent. The company pointed to employee feedback surveys resulting in being recognised on Fortune's 100 Best Companies to Work For® list for four consecutive years. Therefore, it does not believe it has a toxic working culture. However, the company acknowledged it is facing an employee relations crisis, in part due to how it responded internally to a lawsuit brought by the California Department of Fair Employment and Housing in July 2021.

The company pointed to various initiatives introduced in the last few months to address employees' concerns and increase diversity, including policy changes such as: diversity targets, addressing pay gaps, increasing the base salary for temporary workers, and making 500 temporary workers full-time employees. The company intends to keep soliciting employee feedback to inform whether additional initiatives

24 Wall Street Journal

are required. Progress on consolidating and centralising human resources functions across the company's three business units (Activision Publishing, Blizzard Entertainment and King Digital Entertainment) which began in 2019, has helped establish a more uniform set of standards.

The allegations the company is facing have led to calls for Bobby Kotick to step down as CEO and so we sought to understand how the board is managing succession planning, a topic we engaged with the company on during 2019. The company explained there is significant talent and experience amongst leaders in the business unit structure of the company, as well as the corporate unit, implying succession from within.

Ruffer sold down its position in the company based on uncertainty with respect to the outcome of the legal action, how the board would manage the culture change and allegations of harassment and misconduct, and potential loss of revenue from key clients. We had commenced developing an engagement plan when it was announced that Microsoft intended to acquire Activision Blizzard.[25]

25 Microsoft

BAE SYSTEMS

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

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 (SBTi). Scope 3 greenhouse gas emissions targets will be discussed at a follow-up meeting in due course.

Subsequent to our engagement, in October 2021 the company released its PPN06/21 (Procurement Policy Note 06/21: Taking account of Carbon Reduction Plans in the procurement of major government contracts) Carbon Reduction Plan. This plan covers the UK business across scope 1,2 and 3, with some limitations. BAE Systems has made near-term and Net Zero commitments on the SBTi, which it joined in 2021.

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.

Strategy and capital allocation

BREAKING THE ABATEMENT PARADOX: OUR THOUGHTS ON NET ZERO

'Abatement' relates to the efforts to stabilise and reduce the level of atmospheric greenhouse gas concentration. The term 'mitigation' is used interchangeably with 'abatement'. Importantly, there is also 'adaptation' which refers to increasing society's resilience to weather and climate events linked to rising concentration of atmospheric greenhouse gases.

Back in 2007, when atmospheric concentration of carbon dioxide (CO2) was around 380 parts per million (ppm), crude oil averaged US$72 per barrel and Al Gore jointly won the Nobel Peace Prize for raising awareness of climate change through his documentary An Inconvenient Truth, McKinsey published the first iteration of its greenhouse gas abatement cost curve – the 'McKinsey Cost Curve'.[26] It's reported that this analysis was borne from a project requested by a forward-thinking Swedish utility company but grew into a model which gave "...environmentalists, corporate executives, academics, campaigners, and policy makers ... a shared vocabulary—on a single page". McKinsey, through making a number of assumptions around energy costs, carbon intensity of abatement, technology evolution and macroeconomics, created a laundry list of products, technology and solutions which, when deployed, could abate an estimated amount of CO2 equivalent per year at a given abatement cost.

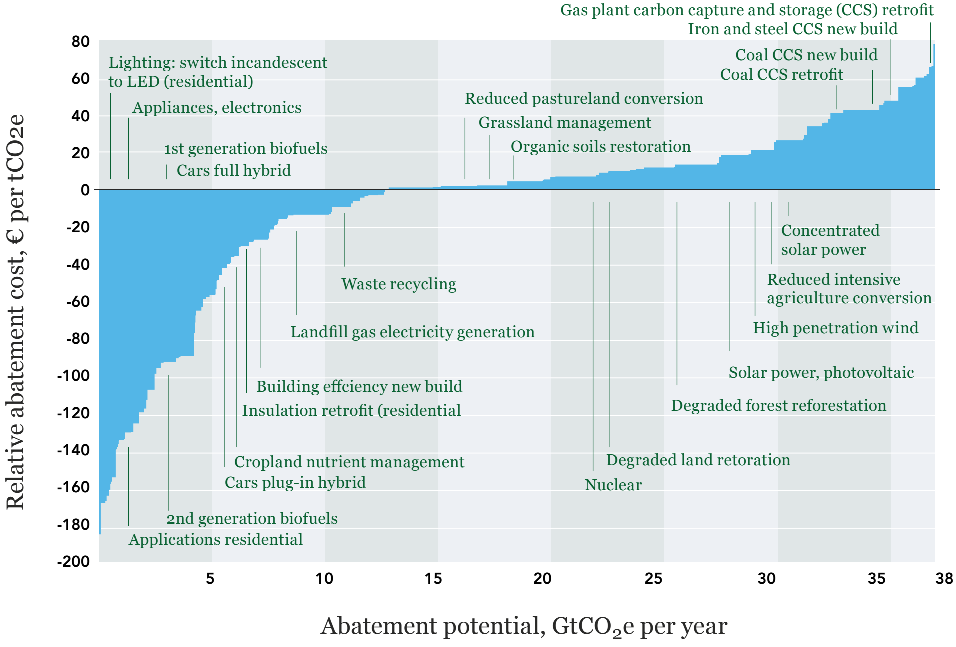
That shared vocabulary was twofold: the technologies able to be deployed and, the economics of those technologies. In other words, it empowered businesses and companies to contextualise carbon abatement within a capital allocation framework.

"Prediction is very difficult, especially if it's about the future"

NIELS BOHR

26 McKinsey

MCKINSEY GHG ABATEMENT COST CURVE



Note: The curve presents an estimate og the maximum potential of all technical GHG abatement measures below 80 per tCO2e if each lever was pursued aggressively. It is not a forecast of what role different abatement measures and technologies will play

On the right of the chart, are technologies with positive abatement cost, meaning they are not economically viable at today's prices without some form of policy or financial intervention.

On the left of the chart, are technologies with negative abatement cost. This implies at current prices it is economically viable, and sensible, to deploy these technologies. Upfront investment is covered through lower ongoing costs.

That said, technology can skip some ideas, like 'Cars full hybrid' in favour of electric vehicles, whilst not fully implementing easy wins like 'building efficiency new build insulation (and retrofit)'.

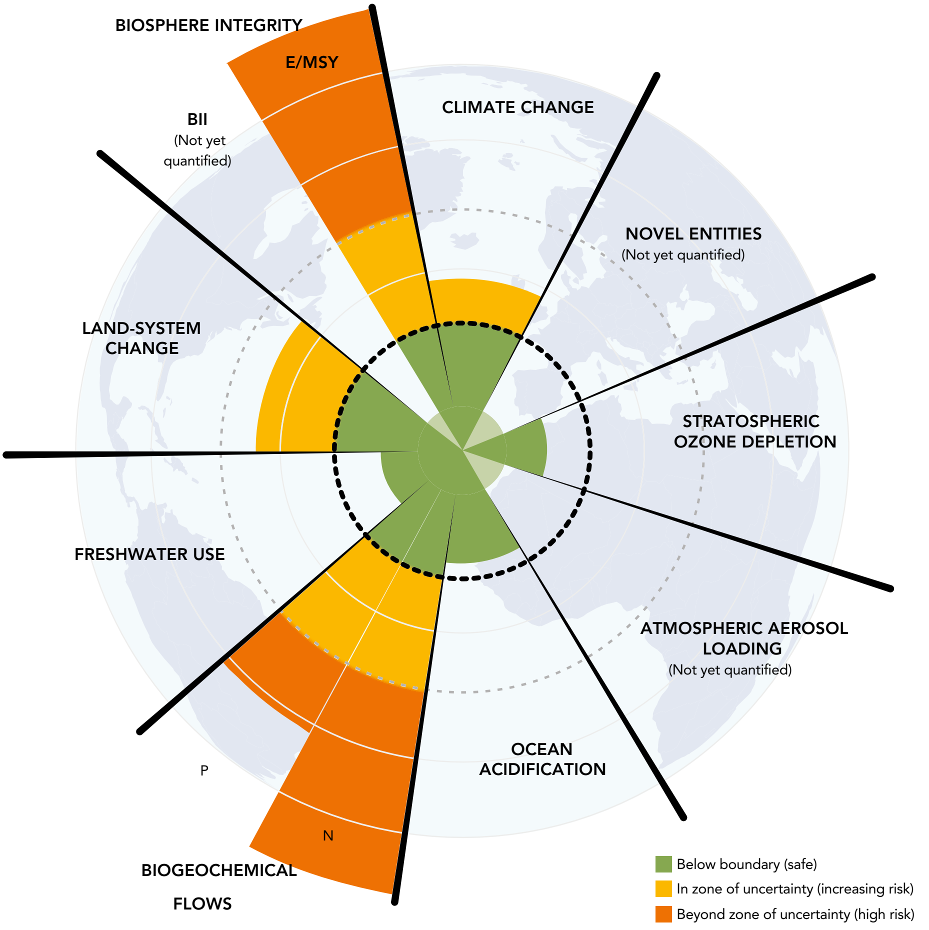
"It always seems impossible until it's done."

NELSON MANDELA

Despite the disruption and scale-up of renewable energy, the innovation of electric vehicles and to a lesser extent stationary battery technologies, atmospheric CO2 levels are approaching 420 ppm. Hence the abatement paradox. According to the Stockholm Resilience Centre,[27] CO2 concentration at this level puts humanity outside a 'safe operating space' of one of the Earths' nine planetary boundaries, increasing the risk of generating large-scale abrupt or irreversible environmental changes. The science says, and Ruffer agrees, to avoid the worst effects of climate change, which will impact the stock (creation or destruction of capital) and flow (volatility of returns) of financial and natural capital, society must reduce emissions of GHGs and lower the

27 Stockholm Resilience

STOCKHOLM RESILIENCE CENTRE PLANETARY BOUNDARIES



absolute level of atmospheric GHG. This de-coupling of economic growth from consumption of fossil fuels, or 'green growth', has not and will not happen without multiple actions from the spectrum of society: business (including investors), the education sector, government, and the consumer.

At Ruffer, with our all-weather investing style, we are operationalising our ambition to reach Net Zero emissions through enhancing our ESG integration approach. Specifically, we are developing our theory of system change on how we, through our research process, stewardship approach and investment decisions, can contribute to

The nine planetary boundaries include: nitrogen and phosphorus flows to the biosphere and oceans, freshwater consumption and the global hydrological cycle, ocean acidification, climate change, chemical pollution and the release of novel entities, land system change, atmospheric aerosol loading, stratospheric ozone depletion and loss of biosphere integrity (biodiversity loss and extinctions). These represent the Earth's cycles and processes for sustaining life.

bending abatement cost curves and promoting the uptake of cleaner alternatives. We see this as the push and pull of sustainable growth.

"All things being equal, the simplest solution tends to be the best one."
WILLIAM OF OCKHAM

The McKinsey cost curve is theoretical in so far as it is based on a range of assumptions and limitations. It is not a recipe for real world carbon emission reduction. A key ingredient for that goal is, simply, a price on carbon. That price could be determined by complicated economic modelling or, it could be discovered by a market-based trading scheme. The European Union Emissions Trading System (EU ETS) is the world's largest example of such a scheme, known as a 'cap and trade' emissions trading system. The 'cap' is the limit on tonnes CO2e that a company (which is tied to country level allowance) is allowed to emit – a 'European Union Allowance'. The 'trade' is the ability for that company to trade, that is buy or sell, its emission allowances within a market.

Through the activities of companies and market participants buying and selling units of carbon, a price for carbon emissions is discovered. This price allows companies to make capital allocation decisions. If the company makes investment decisions which lower its tCO2e emissions below its cap, it can sell its allowance on the market. Likewise, another company may purchase these units as it determines its more capital efficient to buy the right to pollute through increased tCO2e emissions. On a positive outcome, according to research conducted by Bayer and Aklin (2020), the EU ETS has saved more than 1 billion tons of CO2 between 2008 and 2016. While a 'cap and trade' is robust and theoretically simple, allowing the market to determine the clearing price, it is politically, and globally, challenging.

Hence, the opportunity is to find other ways to shift positive abatement costs to negative abatement cost solutions, leading to widespread adoption and lower longer-term costs of driving down emissions. Emission intensive industries may incorporate a shadow carbon price into capital allocation decisions, increasing the cost of capital by raising the hurdle rate of return. Markets can also be kick-started through direct intervention. The Chinese government offered low rate of return capital to stimulate domestic production of solar photo-voltaic panels. The Spanish and

German government introduced electricity feed-in tariffs (or subsidies) to stimulate renewable energy production through lowering the financing risk associated with the scale up of new and not well-understood technologies. The key message is both the cost of capital and the visibility of future cash flows influence capital allocation and investment decisions.

Our thinking on the 'supply side' of Net Zero aligns with Ruffer's top-down/bottom-up investing approach coupled with our stewardship activities. Our top-down observations guide our research into macro themes and investment opportunities whilst our bottom-up research identifies, inter alia, companies which we think are well-positioned, or not, for the transition to Net Zero by virtue of a 'green premium'. This 'green premium' – whether a cost disadvantage from dis-economies of scale or scope, or a (mis)pricing of financial risk – blocks a shift to cleaner alternatives, through mitigation or adaptation.

"I do not believe the introduction of motor-cars will ever affect the riding of horses"

SCOTT MONTAGUE, UK MEMBER OF PARLIAMENT, 1903

The World Economic Forum (WEF), through its First Movers Coalition, suggests "roughly 50% of the technologies we need for Net Zero emissions by 2050 are still under development, in the prototype or demonstration phases, and not yet available on the market". Innovation and disruption, normally associated with venture capital investing – a sector of the market inaccessible to Ruffer given our investment philosophy – will be key to reducing emissions to Net Zero. Indirectly, we believe there is an opportunity to employ our clients' capital to support mature and growth companies who need to transition and have a strategy to do so or have a culture of innovating and disrupting systems and products. In either case, we need to identify a compelling investment case.

The research by the WEF implies 50% of the required technologies already exist, today. Perhaps other barriers exist such as behavioural, political or cultural norms, which block adoption, uptake or deployment. Here is where we look for senior executive and board level oversight, a credible climate risk and opportunity strategy and, transparency and disclosure in reporting. Comparable metrics, like energy return on energy invested, levelized cost of energy and, scope 1, scope 2 and scope 3 GHG emissions, both past performance and a pathway to Net Zero, are critical to company analysis. Additional and complete disclosure may allow us to identify where substitution risk, or opportunity, resides. It may also allow us engagement opportunities which we can use to nudge the producer or the consumer to shift to the 'green' alternative, bending the abatement cost curve and delivering real world emission reduction.

HOW WE CONSIDER THE RISKS POSED BY STRATEGY AND CAPITAL ALLOCATION 4 7

The International Corporate Governance Network (ICGN) defines capital allocation as "the process of distributing a company's financial resources with a purpose of enhancing the firm's long term financial stability and value creation—and providing fair returns to providers of risk capital".[28] Capital allocation is therefore the sources (debt and equity) and uses (such as dividends, reinvestment, or debt repayments) of capital. The Boston Consulting Group (BCG) argue "capital allocation may be the most critical means of translating corporate strategy into action".[29] The importance of capital allocation is whether a company is creating, or destroying, shareholder value. Shareholder value, in this context, is measured by the spread between rate of return (measured as return on invested capital or return on average capital employed) and the cost of capital. It is tempting to look backwards and extrapolate forwards. This is a mistake, as Ruffer wants to see value created over the long term and is prepared to accept short-term fluctuations. But we must have conviction that what management teams have achieved in the past is replicable in the future. Fundamentally, strategy and capital allocation are interwoven. Collectively, they are a measure of board and management effectiveness, hence why it is a stewardship issue.

At Ruffer, we look at historical return on capital and analyse likely future return on capital as part of fundamental security selection. Particularly for the future, we make a quantitative and qualitative judgement about management, and the board, regarding cohesion between strategy and capital allocation. Where shareholder value has been destroyed in the past, we look for a catalyst which may change the outlook or, an engagement opportunity which may result in attractive returns. Where companies have created shareholder value over time, we seek to understand the durability of those returns in the future. In all cases, we seek to assess management skill and board oversight in steering the company to create shareholder value, as this links to delivering our investment objective.

28 ICGN International Corporate Governance Network

29 BCG Boston Consulting Group

OUR ENGAGEMENT RESPONSE TO THE RISKS POSED BY STRATEGY AND CAPITAL ALLOCATION 9 10

As a macro-driven investor, we can avoid sectors or themes considered expensive on fundamental grounds or unattractive for other reasons, such as stranded asset risk (which is linked to capital allocation). This does not stop us engaging in these areas, particularly where there is systematic risk which poses a threat to the market. An example is Ruffer's ongoing participation in the Climate Action 100+ initiative.

From a security selection perspective, our fundamental company analysis seeks to identify engagement candidates, which may be due to a myriad of reasons. Working with management to improve financial reporting, assessing key audit issues and the audit report, the quality of the board (number and percentage of independent directors), cross-shareholdings which we believe constrain value creation or create conflicts, identify which companies which may need to raise more capital (those that are distressed in some way) or, where there appears to be a discontinuity between strategy and capital allocation.

Over the course of 2021, Ruffer continued to develop its data sources and tools to enhance its research process for the purpose of enabling the aggregation of stock data to enhance macro insights. For example, by tracking the flow of capital through value chains – via companies' capital expenditure, operating expenditure and, research and development spend – allows a systematic process to potentially signal emerging bottlenecks, excess capacity and stranded asset risk. These factors may bear upon how economic profit (which is the difference between accounting profit and opportunity cost the business has foregone) is shared among participants in an ecosystem and, therefore, how the market moves to value underlying assets.

As industries evolve in response to environmental imperatives, benefits will accrue to the companies developing resource-productivity solutions, especially if their capabilities are somewhat unique and therefore, hard to replicate. Capital flows can be linked to the rate of intellectual capital development and the impairment risk faced by laggards. We continue to look at ways to add insight and build upon and enhance our ESG analysis approach, sitting alongside traditional fundamental and financial analysis, of companies. In respect to capital allocation and strategy, we seek to integrate elements such as board oversight, audit quality, shareholder rights, dual-class shares and, executive pay alignment with company strategy.

TOYOTA

TOYOTA INDUSTRIES is a global leader in warehouse logistics and automotive part production.

Issues: Governance – board structure and business practices

The first aim of this meeting was to understand the rationale behind the significant cross-shareholdings with Toyota Group companies, including Toyota Motors, which owns 20% of the shares, making them the company's largest shareholder. Mr Omura explained Toyota Motors directly account for 12-13% of the company's sales (and more indirectly) and it works closely with Toyota Motors to refine vehicle and engine parts. He stressed, given heightened competition within the industry, cooperation amongst Toyota Group companies is more important than ever. We pressed for more information on the company's cross-shareholding policy and Mr Omura acknowledged many shareholders have similar concerns. The company has been reviewing non-Toyota Group holdings and reducing them where appropriate. Regarding the company's target level of independence on the board and how they assess independence, Mr Omura acknowledged changes in the Japanese Corporate Governance Code, as well as concerns raised by shareholders, which require them to improve their board structure.

We explained the reasons for our vote against the re-election of Mr Onishi, the President and Chair of the Board, and Mr Maeda, an outside director. We did not deem Mr Maeda to be genuinely independent, though he was presented as such, given his current senior role at Toyota Motors. We explained we would expect at least one third of board members to be independent, which we define as no previous ties to the company. We also explained, in line with Ruffer's governance policy, we would hope to see different appointments for the President and Chair of the Board. Finally, we noted our support for the company's three committee board structure but explained we would expect these to be chaired by independent members. Mr Omura acknowledged these concerns and they had heard similar comments from other shareholders. The company believes the current board composition is the most appropriate balance of directors with significant company knowledge and those with independent oversight. He also explained they are expecting to join the prime listing on the Tokyo Stock Exchange, for which they will need to improve the composition of the board. He conceded they are looking at ways to improve and progress.

While the company acknowledged flaws in its governance structure, it has very little intention to adjust the relationship with Toyota Group companies and make further improvements. Since the meeting, we have sold our position in Toyota Industries, with the lack of progress towards improving corporate governance being a key consideration in this decision.

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.

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.

Corporate governance in Japan

HOW WE CONSIDER CORPORATE GOVERNANCE ISSUES IN JAPAN

Japan's first Corporate Governance Code was released on 1 June 2015 and revised on 1 June 2018. The code follows a principles-based approach, similar to the UK Corporate Governance Code, where companies must comply with the principles set out in the code or provide an explanation for not doing so (a 'comply or explain' approach). The second revision of the Japanese Corporate Governance Code and, the first revision of the Guidelines for Investor and Company Engagement, came into effect on June 11, 2021. Whilst the first version coincided with the 'Japan Revitalisation Strategy', this version is timed with the launch of a new market system; prime, standard and growth market, of the Tokyo Stock Exchange.[30] In both cases, Japan is seeking to align its governance model with global best practice for the purpose of attracting foreign investment, helping Japan reach its growth and inflation targets.

The main points of the proposed revisions of the Corporate Governance Code and the Guidelines include

1. Enhancing board independence
2. Promoting diversity
3. Attention to sustainability and ESG
4. Other major points (conflicts of interest between parent and minority shareholders, disclosure in English)

The revised Corporate Governance Code follows the second revision of the Japanese Stewardship Code, which became effective from 24 March 2020.[31] Ruffer supports the principles of the Japan Stewardship Code, as a guide for good practice engagement with our investee companies and has been a signatory to the code since 2015. Ruffer submitted its response to the revised code in September 2020. Ruffer has invested in Japanese equities for many years, which has often represented a significant weight in the portfolio. We think it is important we are a signatory to this stewardship code.[32]

OUR ENGAGEMENT RESPONSE TO ADDRESS JAPANESE CORPORATE GOVERNANCE CONSIDERATIONS

Ruffer is a long term investor in Japan, in both companies and sovereign bonds. We value the progress made with respect to raising corporate governance and stewardship standards. We also value the opportunity to engage, and the increasing acceptance of engagement, between shareholders and (in particular) Japanese corporations. The examples below and through this report indicate some of the issues we identify and engage upon. These include traditional accounting and financial issues, such as capital allocation and return on equity and, systemic issues like addressing climate risk, female participation rates and the role of independent non-executive directors.

30 Japanese Corporate Governance Code
31 FSA Japan
32 Our response to the Japan Stewardship Code

9

KOITO MANUFACTURING design, produce and market automotive lighting equipment. The company's focus includes halogen and LED headlamps, and the development of next-generation lighting and camera products required for the electrification of vehicles.

Issues: Governance – cross shareholdings, board independence, MSCI ESG rating

We first asked the company for more information on its relationship with Toyota Motors. Toyota Motors is the company's largest shareholder (with 20% voting rights) and accounts for 40% of Koito's revenues. Mr Yamamoto explained that although it is an important and established relationship, Koito operate as an independent company and are not considered part of the Toyota Group.

We explained the reasons for our vote against the re-election of Mr Yukinobu Suzuki to the Statutory Auditor Board at the 2020 annual general meeting. We did not deem Mr Suzuki to be genuinely independent due to his previous relationship as an advisor to the company. We also explained that we would expect at least one third of board members to be independent, which we define as no previous ties to the company. Mr Yamamoto explained that the company had requested certification of Mr Suzuki's independence from the Tokyo Stock Exchange (TSE) on the basis that his advisory fee was negligible. However, he acknowledged that other shareholders had voted against his reappointment and that the company had taken this on board.

Mr Yamamoto also explained that Koito will soon be joining the prime listing on the TSE, which will require it to achieve one third independence and appoint a female board member.

We also discussed the company's unchanged MSCI ESG Research rating (B rated). This is mainly centred on the company's corporate governance as it does not have an independent majority board and an independent chair. Mr Yamamoto explained that the company has addressed a number of the points raised by MSCI through improvements to its processes and are continuing work on this. The prime TSE listing will help focus this process.

Koito published their first integrated sustainability report in summer 2021,[23] as they signalled when we met. The integrated report, titled 'lighting for your safety', articulates how the company aims to create stakeholder value from the five 'capitals'; human, intellectual, financial, manufacturing and natural. The report discusses materiality in the context of the UN Sustainable Development Goals and provides selected environmental and social performance metrics.

Fuji Electric

FUJI ELECTRIC is a Japanese electrical equipment manufacturer

Issues: Governance – board structure and business practices

Following engagements during 2020 where we raised concerns around the independence of 3 directors and, cross-shareholdings on the registry, at the 2020 AGM, Ruffer voted against three directors. After the AGM, we reiterated our stance ahead of the 2021 AGM and our intention to vote against the re-election of one director.

We were pleased to see Fuji Electric making significant governance improvements over the 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 and, push the company to provide greater clarity and transparency around the skills and experience of these board members.

MITSUBISHI ELECTRIC is a Japanese industrial that develops, manufactures, and sells electronic equipment including factory automation systems and airconditioning systems.

Issues: Governance – business practices and board structure

Meeting with Tadashi Kawagoishi (Chief Financial Officer) and Michiko Inoue (Investor Relations)

Our engagement with Mitsubishi Electric continued into 2021 following several conversations in 2019 and 2020. We engaged upon issues including staff welfare (overtime worked), data security, board structure and board sub-committee independence. We escalated our views by voting against the re-election of director Mr Takashi Oyamada who, we consider to be non-independent.

We engaged with Mitsubishi Electric following a whistleblowing scandal that revealed the disclosure of fabricated inspection data for air conditioning units and the subsequent resignation of the CEO. The main purpose of this meeting was to understand the nature of the scandal, the company's culture and the timeline with respect to further investigations and corrective actions. Mr Kawagoishi assured us an external investigative committee has been formed to explore the matter of improper testing and inspections and provide recommendations to the board.

The results of this investigation were announced to the market on 1 October 2021. The Board announced three areas of reform: quality assurance (both processes and the appointment of a Chief Quality Officer), organizational culture (reforming human rights function, breaking down the 'closed' organisational culture and, allowing employees a voice in reforms) and, overall governance of the company (reform of the Board of Directors, institute a Governance Review Committee to identify problems and suggest improvements).

We also encouraged Mitsubishi Electric to take this opportunity to reform the company's working culture, which was taken on board. We have previously engaged with the company on its cross-shareholdings, as well as board structure and the importance of independent, external directors with relevant business experience and we asked for an update on the progress on these. Mitsubishi Electric acknowledge the need for change in its board composition and has been studying examples of other Japanese companies in order to elect independent board members.

We were reassured the company is intent on finding the right candidate, although this may take time. The inspection scandal is the company's opportunity to make meaningful internal controls and changes to working culture and governance. We plan to continue our engagement with company and meet the new CEO, Kei Uruma.

NIPPON TV HOLDINGS

9

NIPPON TELEVISION (NTV) is the largest television broadcaster in Japan, headquartered in Tokyo.

Issues: Social and governance – equal treatment of shareholders, board attendance

A regulatory requirement preventing foreign shareholders owning more than 20% of a Japanese broadcasting business resulted in NTV management deciding to not pay dividends to any foreign shareholders over this threshold (at the time of engagement, the level of foreign ownership in NTV was 23%). We challenged the company's decision on the basis it differs to competitors who pay dividends to all foreign investors. The company confirmed it is considering alternative courses of action, such as a share buyback programme, which would benefit all shareholders equally.

We also questioned the nature of the company's relationship with a significant shareholder who owns a 23% stake. The company confirmed that, whilst it was a controlling stake, the shareholder has no influence over the operations of NTV. Finally, we noted the recent low attendance rate of a company director and expressed the importance of disclosure around board attendance.

Whilst no firm outcomes were achieved on these matters, we are comfortable our concerns were taken on board and will be escalated to senior management.

SMC®

9

SMC is a world leader in pneumatic products and services. It offers durable, high quality, and low power consumption goods to customers, which enables industrial automation.

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. We 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). MSCI ESG Research confirm that as at October 2021, the company has achieved this.

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

TS TECH is a Japanese automotive seat manufacturer. The majority of its sales are to Japanese carmaker Honda, which is also the largest shareholder.

Issues: Environment, social and governance – carbon emissions, employee share ownership scheme, board structure and director independence, capital allocation

We expressed support for the company's initiatives to reduce its environmental impact and requested details of the plans in place to further lower its greenhouse gas emissions. In its 2021 Integrated Report, the company stated, "it is essential that we know not just the GHG emissions from the Group's own business activities but also the emissions across the entire supply chain (scope 3)" and discusses its Supplier Stakeholder Guidelines. The company responded it has focused on making its seats lighter so cars will become more energy efficient over their lifespan, productivity improvements, and energy usage reduction in the manufacturing process. The company highlighted it is aiming to cut greenhouse gas emissions by 50% by 2050. However, given Japanese Prime Minister Suga has announced a target of carbon neutrality in Japan by 2050, the company is likely to further increase its greenhouse gas reduction targets.

TS Tech also informed us it is introducing an employee share ownership scheme, to help motivate employees. Ruffer considers this to be a positive step in terms of alignment with shareholder interests, but we expressed our view that the perception of the company would improve only if capital efficiency and return on equity were further prioritised. There were significant concerns over insufficient oversight given the current board structure, where only two of the 11 directors are independent non-executive directors.

This was a major issue given the potential for conflicts of interest, as the company's largest customer is also its largest shareholder. The company has announced it is moving from a kansayaku structure, a traditional Japanese board structure, to an audit and supervisory committee structure and will elect more female and independent directors. We commend the company for making these changes, which are positive initial steps towards better protecting the interests of minority shareholders.

Data security

HOW WE CONSIDER THE IMPLICATIONS OF DATA SECURITY

One might consider data security as a continuation of stakeholder management in response to the covid-19 pandemic theme, which we discussed in our 2020 stewardship report. The EU General Data Protection Regulation (GDPR) is a regulatory example of data security and is a component of broader human rights and privacy architecture. Data security is a narrower term than cyber-security, which has been a focus of investors for many years. In response to the pandemic, electronic commerce accelerated alongside the shift to working remotely, online education and social interaction. The 'lockdown effect' saw growth of more than 20% over a few days, meaning much more sharing of data and information.[34] With this increased traffic comes increased risk of malicious actors.

The Identity Theft Resource Center's 2021 Data Breach Report stated there were 1,862 data breaches in 2021, a 68% increase on 2017, the previous record.[35] The 2021 Cost of a Data Breach Report,[36] prepared by IBM, estimates the average total cost of a data breach increased to $4.24 million. This implies the cost of data breaches totalled $7,894 million in 2021. Whilst the direct cost is the outcome, the implications possibly include regulatory fines or other actions, reputational damage or, loss of trust with the customer.

Data security is the practice of protecting digital information from unauthorised access, corruption, or theft throughout its entire lifecycle. It's a concept that encompasses every aspect of information security from the physical security of hardware and storage devices to administrative and access controls, as well as the logical security of software applications. It also includes organisational policies and procedures.[37]

35 Communications of the ACM
35 Identify Theft Resource Center
36 Security Intelligence
37 IBM Data Security

OUR ENGAGEMENT RESPONSE TO DATA SECURITY

Unfortunately, it is often the case that shortcomings with data security are only discovered after the fact. The Rakuten case below is but one example. In cases like these, given the opportunity to engage with management – we seek to ensure management understands what failed and that it has changed its policy, process, procedures, third-party oversight or the combination of software and hardware in-use. However, the ubiquity and importance of data to most modern business means, on a materiality basis, as part of our fundamental investment research we seek to identify, and clarify, company management and oversight of data.

The 'SolarWinds hack' of 2019/2020 is one of the most high-profile and sophisticated examples of a cyberattack.[38] SolarWinds provided key software to large businesses and governmental agencies. Known as 'network monitoring software', it is key because this software allows information technology specialists to monitor performance across the whole network. Hackers allegedly found a way in to SolarWinds network, then silently inserted malicious code into a routine software update, which was then distributed over SolarWinds trusted network. End users installed the routine update without question. The hackers found and exploited a weakness successfully compromising about 100 companies and about a dozen government agencies, allowing access to sensitive or private data.

Rakuten

9

RAKUTEN was founded in 1997 by its CEO, Hiroshi Mikitani, to help merchants to begin selling online. Today, Rakuten has grown into a group of leading consumer businesses spanning e-commerce, financial services and healthcare. Its ecosystem has over 100 million members.

Issues: Social and governance – data security, consumer protection, accounting misstatement, remuneration and board structure.

We engaged with the company on a historical data breach and requested details of the measures put in place to prevent a reoccurrence. The company confirmed the steps taken to investigate, report and rectify the breach, including updating the system settings within two days of the security review which brought the data breach to its attention. Longer term, the company has strengthened its security management and intends to regularly review the use of external cloud-based systems.

We also queried the recent rating downgrade by MSCI ESG Research (MSCI). This followed a methodology change by MSCI which brought into question Rakuten's consumer financial protection processes and cited a lack of evidence of best practices. Investor Relations confirmed the relevant practices are in place and the company will respond to MSCI with this information once it has reviewed the new methodology. We intend to follow up on the evidence presented to MSCI and will monitor how this is reflected in their rating.

On governance, the company has a traditional Japanese board with statutory auditors (known as a kansayaku board structure). We explained our support for a three-committee board structure, in order to improve transparency of decision making, and recommended the creation of both compensation and nomination committees with fully independent members. The company did not indicate any pending changes, so we will continue to engage on this point. We also asked for additional information on the performance hurdles related to employee stock options and expressed our preference for more visibility on performance pay generally.

CURRYS is a retailer of electrical and technology products and services operating throughout the UK, the Nordics and Greece.

Issues: Environment – climate change

Our first formal meeting with the company's new Director of Group Sustainability, Moira Thomas, occurred in Q4 2021. We took the opportunity to discuss a wide range of topics. We have been pleased to see the company's clear commitment to ESG initiatives and asked about the board's engagement with its new sustainability agenda. We were encouraged to hear that the board had increased the size of the sustainability team. The board has also created an ESG committee, that was made a formal sub-committee of the executive during 2021. In terms of accountability, this team oversees the entire business and reports to the board at least twice a year.

On greenhouse gas emissions, we discussed the company's Net Zero targets and the challenges associated with achieving the same level of reductions going forward. So far, scope 1 and 2 emissions have been reduced by 80% and the company has admitted that while the final push will be harder, they are committed to reaching Net Zero emissions by 2040. Scope 3 emissions are a bigger challenge for Currys as they comprise the majority of the company's emissions. We discussed how the company is using the EcoVadis carbon tool to increase visibility of supplier emissions (scope 3) as currently 87% of these scope 3 emissions come from products-in-use so reducing emissions here is key.

We also discussed the company's commitment to several initiatives which we believe demonstrate its commitment to its sustainability roadmap. Currently it is a supporter of the British Retail Consortium Climate Action Roadmap and the Digital Access for All (DAFA) initiative, a member of EV100 and it has a technology partnership with Age UK; it is also bringing in additional resources to help it deliver on its ambition to eradicate digital poverty by 2030.

Other topics discussed included data reliability and transparency, product-life cycle analysis, its MSCI ESG rating and incorporating ESG targets in executive remuneration. 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.

Company-specific engagement examples

In addition to the themes explored above, we often engage with companies on specific issues identified through our ESG analysis. We have included a selection of these here.

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

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

Following previous discussions (Q4 2021) 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. Over the course of our engagement with Rubis we have seen increased signs of focus on the challenges of managing the transition.

More specifically, 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 and 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 delivered on its plans by publishing its multi-year CSR roadmap in early 2022.[39]

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.

39 Rubis

WH Smith

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

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 (during and recovery from the global pandemic). 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.

Engagement activities in 2021

Further examples can be found in the stewardship activities reports which we publish quarterly. Below is a list of companies which we engaged with in 2021. The reports are available at ruffer.co.uk/responsible-investing

Q1 engagement

Collaborative

Independent

COMPANY NAME	COMPANY SUMMARY	ISSUES DISCUSSED	TYPE
Countryside Properties	Countryside Properties is a leading UK housebuilder.	Environmental, social and governance – climate change, stakeholder management, board composition and remuneration	
Equinor	Equinor is a Norwegian energy company developing oil, gas, wind and solar energy in more than 30 countries worldwide.	Environmental and governance – climate change, remuneration	
Koito Manufacturing	Koito Manufacturing design, produce and market automotive lighting equipment.	Governance – cross shareholdings, board independence, MSCI ESG rating	
Land Securities Group	Land Securities is a leading UK real estate company.	Governance – remuneration	
Nippon TV	Nippon Television (NTV) is the largest television broadcaster in Japan, headquartered in Tokyo.	Social and governance – equal treatment of shareholders, board attendance	
Rakuten	Rakuten was founded in 1997 by its CEO, Hiroshi Mikitani, to help merchants to begin selling online. Today, Rakuten has grown into a group of leading consumer businesses spanning e-commerce, financial services and healthcare.	Social and governance – data security, consumer protection, accounting misstatement, remuneration and board structure.	
TBS	TBS is a Japanese media and broadcasting holding company.	Governance – cross-shareholdings, poison pill	

Q1 engagement

Collaborative

Independent

COMPANY NAME	COMPANY SUMMARY	ISSUES DISCUSSED	TYPE
TS Tech	TS Tech is a Japanese automotive seat manufacturer. The majority of its sales are to Japanese carmaker Honda, which is also the largest shareholder	Environment, social and governance – carbon emissions, employee share ownership scheme, board structure and director independence, capital allocation	

Q2 engagement

Collaborative

Independent

COMPANY NAME	COMPANY SUMMARY	ISSUES DISCUSSED	TYPE
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.	Environmental – climate change	
BAE Systems	BAE Systems provides a range of products and services for air, land, and naval forces	Environmental and governance – climate change and business practices	
BAT	British American Tobacco manufactures and distributes tobacco products	Environmental and social – climate change and labour standards	
Carrefour	Carrefour is a food retailer with operations in Europe, Taiwan, and Latin America	Environmental and governance – biodiversity, remuneration and board structure	
ExxonMobil	ExxonMobil is a multinational oil and gas company with upstream, downstream and chemicals businesses. The company is headquartered in the US.	Environmental and governance – climate change and board structure	

Q2 engagement

Collaborative

Independent

COMPANY NAME	COMPANY SUMMARY	ISSUES DISCUSSED	TYPE
Fuji Electric	Fuji Electric is a Japanese electrical equipment manufacturer.	Governance – board structure and business practices	
Rubis	Rubis distributes fuel, lubricants, liquefied gas and bitumen and stores bulk liquid products in Europe, Africa and the Caribbean.	Environmental, social and governance – low carbon transition, climate change, employee relations, community relations and remuneration	
SMC	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	Governance – board structure	
Sonae	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	Governance – strategy and capital structure	
Token Corp	Token is a housing and construction leasing business that links landowners and potential tenants in commercial, residential, and retail property	Governance – strategy and capital structure, remuneration and board structure	
WH Smith	WH Smith is a globally diversified retailer with stores across airports, rail, hospitals and the UK high street	Governance – remuneration	
Mitsui Fudosan	Mitsui Fudosan is a Japanese real estate business.	Governance – board structure, cross-shareholdings and remuneration	

Q3 engagement

Collaborative

Independent

COMPANY NAME	COMPANY SUMMARY	ISSUES DISCUSSED	TYPE
Barclays	Barclays is a global bank with domestic and European banking exposures, a global investment banking franchise and a US credit card business.	Environmental and governance – climate change and board structure	
Mitsubishi Electric	Mitsubishi Electric is a Japanese industrial company that develops, manufactures and sells electronic equipment, including factory-automation and air-conditioning systems.	Governance – board structure and business practices	
MUFG	Mitsubishi UFJ Financial Group is a financial holding company providing retail and commercial banking services as well as asset management services in Japan and internationally.	Environmental and governance – climate change, environmental reporting, low carbon transition and remuneration	
Toyota	Toyota Industries Is a global leader in warehouse logistics and automotive part production.	Governance – board structure and business practices	

Q4 engagement

Collaborative
Independent

COMPANY NAME	COMPANY SUMMARY	ISSUES DISCUSSED	TYPE
Activision Blizzard	Activision Blizzard Inc., publishes, develops, and distributes interactive entertainment software and peripheral products.	Social and governance – human capital, culture, conduct.	
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.	Environmental and governance – climate change, remuneration	
Barclays	Barclays is a global bank with domestic and European banking exposures, a global investment banking franchise and a US credit card business.	Environmental and governance – climate change and board structure	
Chesapeake Energy	Chesapeake Energy Corporation produces oil and natural gas.	Environmental, social and governance – low carbon transition, climate change.	
Coty	Coty Inc. manufactures and distributes beauty products. The Company offers fragrances, colour cosmetics, hygiene, sun care, and skin treatment products.	Governance – board structure and business practices	
Currys	Currys plc operates as an electrical and telecommunications retailer and services company. The Company offers a wide range of electrical and mobile products, as well as connectivity and after-sales services. Currys serves customers in Europe.	Environmental, social and governance – sustainaility roadmap.	
Equinor	Equinor is a Norwegian energy company developing oil, gas, wind and solar energy in more than 30 countries.	Environmental – climate change	
II-VI	II-VI Incorporated is a manufacturer of optical materials and semiconductors.	Governance – board structure and effectiveness, succession planning.	

Q4 engagement

Collaborative

Independent

COMPANY NAME	COMPANY SUMMARY	ISSUES DISCUSSED	TYPE
International Petroleum Corporation	International Petroleum Corporation (IPC) produces and sells oil and natural gas. The Company acquires and develops undeveloped oil and gas prospects. IPC is operating around the world, and many of the oil and gas wells are located in southeast Asia and the Middle East.	Environmental – Net Zero and greenhouse gas reduction targets.	
Pfizer	Pfizer Inc. operates as a pharmaceutical company. The Company offers medicines, vaccines, medical devices, and consumer healthcare products for oncology, inflammation, cardiovascular, and other therapeutic areas. Pfizer serves customers worldwide.	Environmental, social and governance – access to medicine, climate strategy, governance.	
Shell	Shell is a global energy and petrochemicals company operating in more than 70 countries.	Environmental – climate change	
Teikoku Sen-I	Teikoku Sen-I Co., Ltd. produces flame-retardant and heat-resistant synthetic fibres.	Governance – director independence, cross-shareholdings and takeover defence	
Toei Animation	TOEI Animation Co., Ltd. is a Japanese animation studio primarily controlled by its namesake Toei Company	Governance – director independence.	
Volkswagen	Volkswagen, which is headquartered in Germany, is one of the world's largest auto manufacturers.	Environmental and governance – low carbon transition, culture, board structure	

Why voting makes a difference

We take our voting responsibilities seriously. We review relevant issues and exercise our judgement where necessary, based on our in-depth knowledge of each company. The opportunity to vote enables us to encourage boards and management teams to consider and address areas we are concerned about or want to support.

We have detailed below how we exercise our voting rights and responsibilities with regards to our equity holdings. Our fixed income holdings are mainly government bonds which do not confer voting rights.

WHAT HAVE WE COMMITTED TO?

Our policy on voting reflects both our investment objectives and our investment approach. It is Ruffer's policy to vote on AGM and Extraordinary General Meeting (EGM) resolutions, including shareholder resolutions and corporate actions. We apply this policy to both UK and international companies, reflecting the global nature of our investment approach.

HOW WE DEFINE 'SIGNIFICANT VOTE'

At Ruffer, as we are stewards of global investors' capital, we have adopted more than one definition of 'significant vote'. With respect to non-UK clients, we look to the Shareholder Rights Directive II (SRD II) and define significant vote as any vote on a holding in our flagship funds. In the UK, we take a broader definition in line with the PLSA implementation statement. For these clients, we have defined 'significant votes' as those that we think will be of particular interest to our clients. In most cases, these are when they form part of continuing engagement with the company and/or we have held a discussion between members of the research, portfolio management and responsible investment teams to make a voting decision following differences between the recommendations of the company, ISS and our internal voting guidelines.

We vote on our total shareholding of the companies held within our flagship funds. Voting on companies not held in these funds is subject to client authority or materiality considerations.

40 Our Shareholder Rights Directive II (SRD II) policy is available at ruffer.co.uk/responsible-investing

HOW DO WE DO IT?

Ruffer has an internal voting policy and has developed an integrated voting platform linked to proxy voting research, currently provided by Institutional Shareholder Services (ISS). These tools assist analysts in their assessment of resolutions and the identification of contentious issues. Although we take note of proxy advisers' voting recommendations, we do not delegate or outsource our decision when deciding how to vote on our clients' shares. We have also co-filed shareholder resolutions where we felt this was the most appropriate course of action, in collaboration with likeminded investors.

Our internal voting policy applies when we instruct a vote, regardless of which fund or pooled account holds the company, across all regions and operates on a 'comply or explain' basis. The policy includes criteria for determining whether a remuneration policy should be supported, along with criteria for determining independence and over-boarding of directors and the composition of board sub-committees. The policy also contains commitments to support resolutions requesting disclosures aligned with the TCFD and political, lobbying or trade association payments or donations. Given our often material holding of Japanese companies over the last decade and the specific corporate governance considerations in that market, the policy also includes specific criteria for these companies.[41]

Research Analysts review relevant issues case by case. Drawing on support from our Responsible Investment team and the accumulated knowledge of the company, analysts will make an informed judgement on how to vote. If there are any controversial resolutions, a discussion is convened with senior investment staff and, if agreement cannot be reached, there is an option to escalate the decision to the Responsible Investment Committee, or subsequently the Chief Investment Officer. With complex issues, and those that could have a material effect on our investment thesis, we request additional information or more in-depth explanations from the company. If we decide to vote against management, we try to communicate this decision to the company before the vote and provide the rationale for doing so.

We review our voting rights as part of ESG due diligence, in terms of one-share one-vote, dual-class shares, controlling shareholders, free-float, presence of poison-pills or similar governance restrictions.

41 Ruffer is a signatory to the Japanese Stewardship Code, our response is available at ruffer.co.uk/responsible-investing

For the majority of our clients, we exercise voting rights on holdings in the portfolio in accordance with Ruffer's voting policy. However, we can facilitate clients' voting instructions on both segregated and pooled accounts, provided we have sufficient administrative capacity and explicit client authorisation.

DISCLOSURE OF VOTING DECISIONS 12

Our voting decisions for our flagship funds are available at ruffer.co.uk/responsible-investing. On request, we can provide clients with tailored voting reporting on a quarterly, biannual or yearly basis, which contains granular voting data, including at resolution level.

VOTING DATA 12

The 2021 aggregated voting data presented here comprises all votes across Ruffer funds and institutional and private client holdings. We have not included the limited instances where we have split the vote in a pooled fund in response to a client request.

Ruffer voted at 310 company meetings in 2021. At each meeting there are usually several resolutions proposed by management or shareholders. We voted against management on 235 resolutions. Compared with 2020, we have voted against management more often in both absolute terms and as a proportion of votes cast.

The majority of Ruffer's assets are managed either through our flagship funds or in segregated accounts managed to the same strategy. We estimate we voted on companies accounting for 91% of the equity assets under management in 2021, where we held voting authority.[42] Due to a large number of legacy holdings of non-managed assets, which we hold mainly for private clients, and some markets which remain difficult to vote, we act on a best endeavours basis to vote on all positions. These companies are held in separate accounts, and we do not cover these holdings from a research perspective.

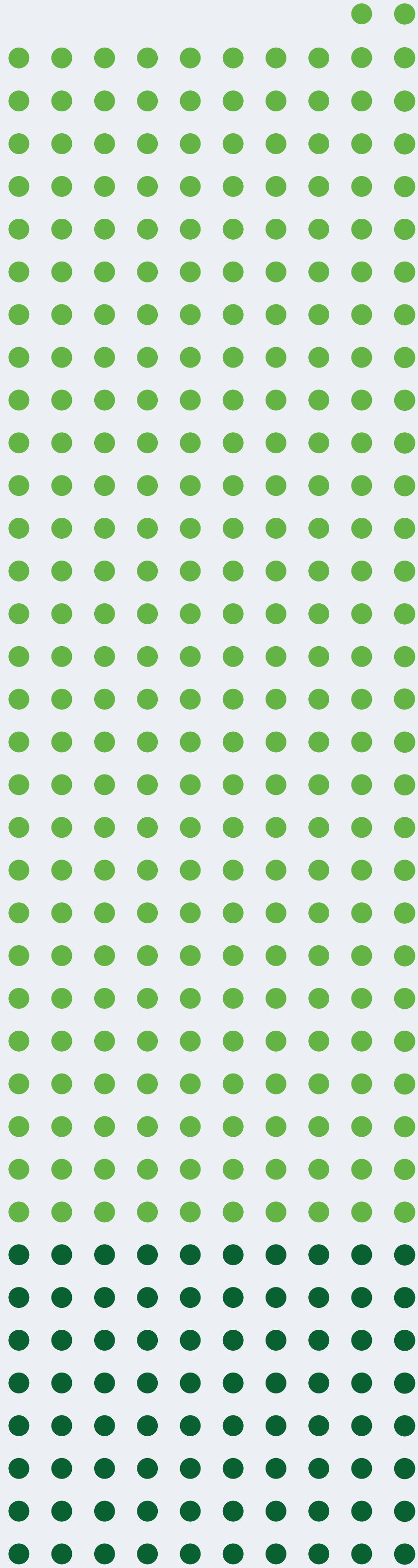
42 Estimate calculated based on data from ISS and Ruffer. Using data from ISS for the meetings at which Ruffer did not vote in 2020, we calculated the proportion of Ruffer's assets under management these companies represented as at 31 December 2021

VOTING BREAKDOWN 2021

Total items voted	3,556	%
For	**3,262**	91.7
Against	**235**	6.6
Abstain or withheld	**59**	1.7

310

MEETINGS VOTED



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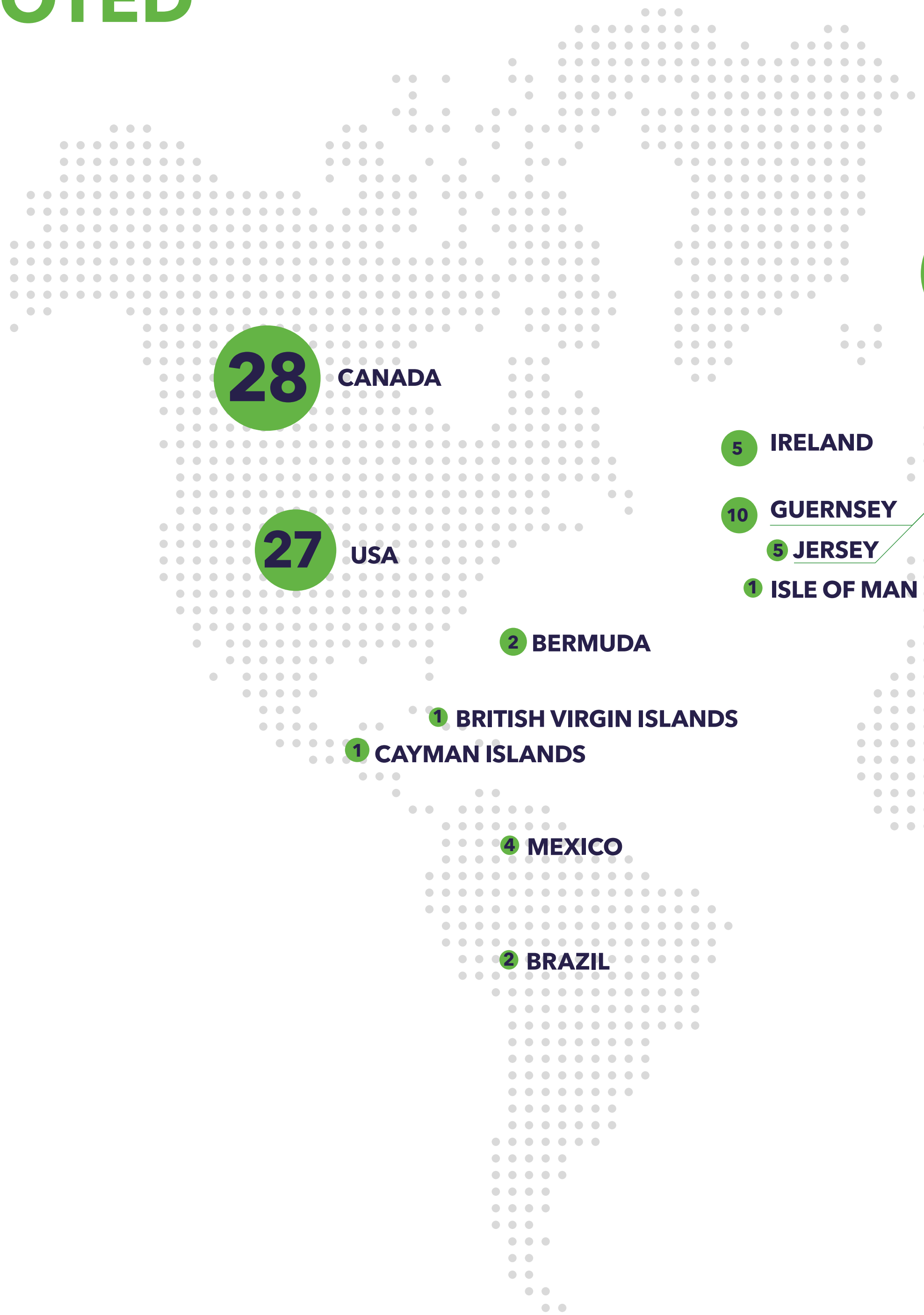
MEETINGS WITH AT LEAST ONE VOTE AGAINST, WITHHOLD OR ABSTAIN

GEOGRAPHIC DISTRIBUTION OF MEETINGS AT WHICH WE VOTED




99
UK
2 SWEDEN
NORWAY 3
1 FINLAND
NETHERLANDS 4
4 GERMANY
6 FRANCE
LUXEMBOURG 6
SWITZERLAND 2
3 SPAIN
1 CYPRUS
1 CHINA
61
JAPAN
1 HONG KONG
4 SRI LANKA
2 SINGAPORE
3 MAURITIUS
19
AUSTRALIA
4 SOUTH AFRICA

Voting against management resolutions

11 12

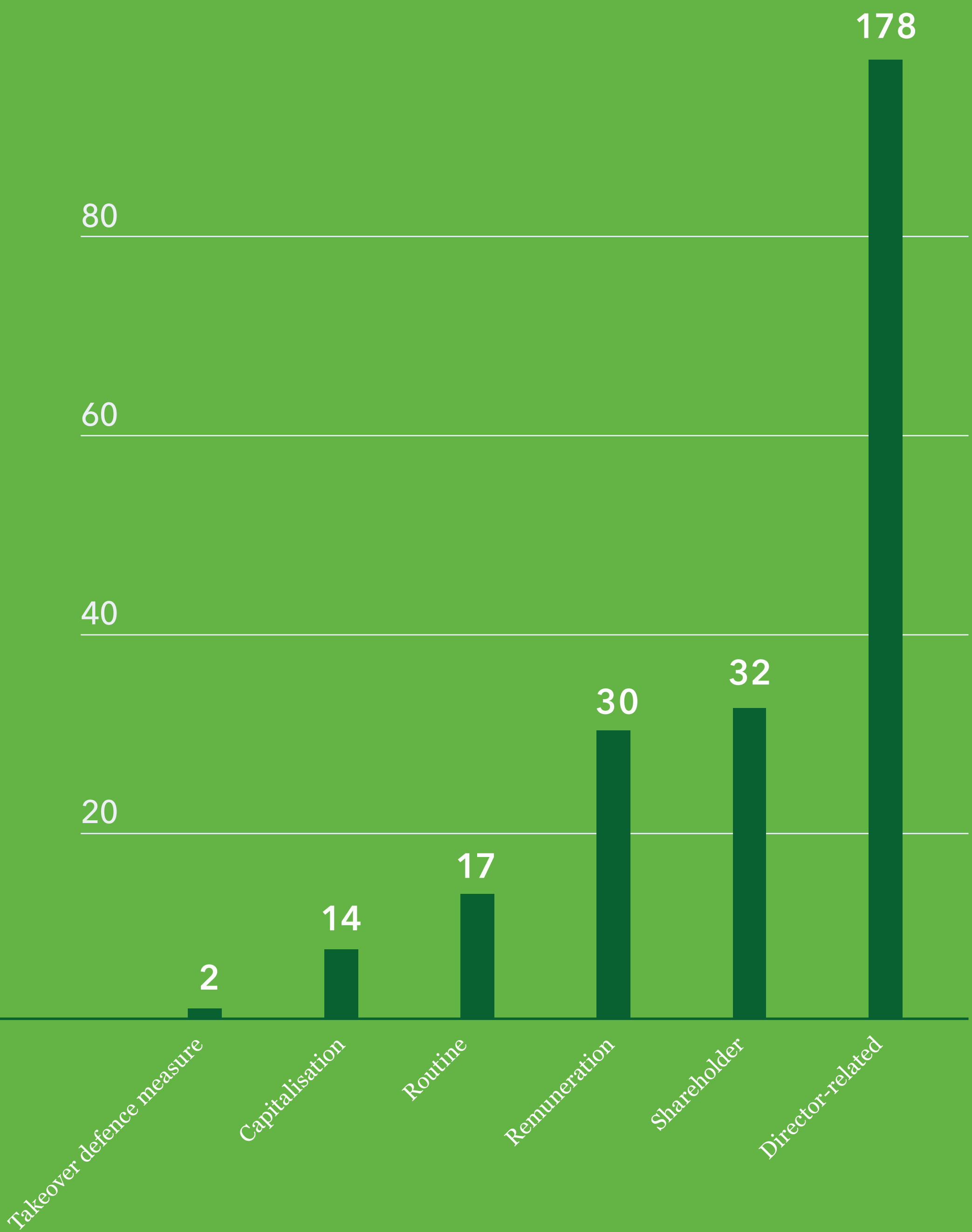
VOTING IS A POWERFUL TOOL to encourage boards and management teams to consider and address areas we are concerned about, particularly if engagement has not been successful. We highlight our votes against management to demonstrate we make our voting decisions independently. We later discuss shareholder resolutions we supported against the recommendations of management.

In 2021, we voted against management predominately on issues relating to the independence and effectiveness of directors, audit-related resolutions, and executive pay. The companies varied in size, sector and location, from an American oil and gas company to a UK banking group. The chart opposite shows votes against management by type of resolution.

273

VOTES AGAINST MANAGEMENT RESOLUTIONS

VOTES AGAINST MANAGEMENT RESOLUTIONS



Note: often we will vote 'For' a shareholder resolution which is 'Against' the management recommendation

Non-executive directors, board structure and independence

IN MOST CIRCUMSTANCES, WE THINK IT IS OF FUNDAMENTAL IMPORTANCE that every board is comprised of a majority of demonstrably independent directors. This, we believe, is critical to provide a robust oversight of, and counterbalance to, the company's management. Where management are not significant owners of the business, it is to counter the principal/agent problem. Measures of independence include how long a director has served on the board or prior organisations where the director has served as an executive or non-executive. We have incorporated this into our internal voting policy.

Taking into account the average tenure of members of the board, the regions where companies are domiciled and the sectors in which companies operate, we did not support the re-election of a number of directors in 2021 because of concerns they were not independent. We voted against the re-election of five directors at the American Express Corporation, five at Cigna (in 2020, we voted against the re-election of 6) and six at Nippon Television Holdings, Inc. There was no single trend underlying our votes against the re-election (or election) of directors. Observations include tenure, non-independence (at board or at audit committee), to signal a governance concern (such as non-payment of dividends) or, meeting non-attendance.

MUFG

11 12

MITSUBISHI UFJ FINANCIAL GROUP is a financial holding company providing retail and commercial banking services as well as asset management services in Japan and internationally.

Issues: Governance – board structure and business practices

We voted against the re-election of a director and against the appointment of a shareholder director. We also voted against several shareholder resolutions on the agenda.

SMFG

11 12

SUMITOMO MITSUI FINANCIAL GROUP, INC. (SMFG) offers a broad array of banking, credit card, leasing, information, investment securities, and other financial services.

Issues: Governance – board structure

We voted against the re-election of director Mr Matsumoto on the basis we consider him non-independent, given his other roles. Further, he is Chair of the Audit Committee. Our governance policy states the Chair of the Audit Committee should be genuinely independent.

Remuneration policies and reports

REMUNERATION CONTINUED TO BE OF INTEREST in most western markets in 2021, particularly in the US where executive pay growth has far exceeded growth in median pay and, there were several examples of egregious pay practices in the wake of the pandemic. It is Ruffer's view that a well-designed remuneration policy links the performance and behaviour of management with company strategy and long term value creation. This should be guided by the overarching principles of aligning the interests of management with the interests of shareholders and, adequately incentivising management to perform at the highest level, giving due consideration to stakeholders. We believe a company's executive remuneration policy is significant in setting the right tone at the top and can be an important driver of creating positive company culture.

At Ruffer, we analyse remuneration policies and reports and, vote against them if we think they are inappropriate in quantum, design or, discretion. In 2021, we voted against management's proposals on remuneration at: WH Smith Plc, Sigma Capital Group Plc, Royal Vopak NV, Veolia Environment SA, Bayer AG, Ambev SA, Glencore Plc, Livent Corporation, Hennes and Mauritz AB, Safestyle UK Plc, Carrefour SA, Big River Gold Limited, General Motors Company and The Ince Group plc.

WH Smith

12

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

Issues: Governance – remuneration

We decided to vote against the remuneration report because we felt the policy position of raising base salary was inappropriate in the context of staff redundancies, furloughing staff through participation in the UK Government Job Retention Scheme, and raising capital through a share placement to improve the Company's liquidity position.

VEOLIA ENVIRONNEMENT SA (VEOLIA) is a provider of environmental management services. The company offers drinking water treatment and distribution, and wastewater treatment solutions; and waste collection, waste-to-energy processing, dismantling and hazardous waste processing.

Issues: Governance – remuneration

We voted against the remuneration proposal on the basis of transparency and disclosure around performance and targets.

GLENCORE is a diversified natural resources company. It carries out the production and marketing of various mineral commodities. The company's operations include refinement, processing, storage and transportation of metals and minerals, energy and agricultural products.

Issues: Governance – remuneration

We voted against the remuneration policy on the basis that the quantum was high relative to peers and, the significant time-based awards without any conventional performance metrics.

Voting for and against shareholder resolutions

There were several instances where we voted for shareholder resolutions, many of which did not gain the support of company management. The dissident slate at ExxonMobil was the key example where we supported shareholders against management recommendation. We voted in favour of an independent chairman at Bristol-Myers Squibb Company. We supported the resolution to declassify the board at Centene Corp.

POLITICAL CONTRIBUTIONS, LOBBYING PAYMENTS AND POLICIES

In 2020, we engaged and voted on several shareholder resolutions requesting additional disclosure on political contributions, lobbying and trade association memberships. We continued this approach in 2021. We abstained on a shareholder resolution at Microsoft Corp requesting the company report on lobbying activities alignment with company policies. We voted in favour of the same resolution at ExxonMobil, and voted in favour of resolutions requesting political contributions and a report on lobbying payments and policy. As in 2021, we voted in favour of a resolution requesting Walt Disney to report on lobbying payments and policy and supported the same resolution at the Charles Schwab Corporation. At JPMorgan Chase, which we discussed in 2021, we voted against a resolution asking the company to prepare a report on the congruency of political and electioneering expenditures during the preceding year against publicly stated company values and policies. This resolution relates to the company's support of the Business Roundtable which may contradict how the company behaves.

We believe it is important for investors to understand which organisations a company supports, and we will continue to put pressure on companies to improve disclosure and provide greater transparency. We have incorporated this theme into our internal voting policy because we believe these disclosures enable us to make better-informed investment decisions.

DIVERSITY EQUITY AND INCLUSION

We voted in favour of resolutions proposed at Berkshire Hathaway and at American Express Company which requested the companies publish annually a report assessing diversity, equity, and inclusion efforts.

CLIMATE CHANGE

We voted in favour and, in certain circumstances against, management and shareholder resolutions related to climate change. Our vote decision is often linked to our engagement activities with companies. These engagements relate to requesting targets to reduce greenhouse gas emissions or, aligning business models with the goals of the Paris Agreement. Shareholder resolutions can, even if they fail to reach majority support, be a useful signal to progress on engagement objectives. They indicate to management and the board issues which shareholders consider as not being communicated or managed appropriately.

equinor

11 12

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.

bp

11 12

BP is an integrated energy company.

Issues: Environment – climate change

We voted against a shareholder resolution which requested the company set climate change targets. We looked to the CA100+ Net Zero Company Benchmark where BP partially meets all criteria and, disclosure by the company itself regarding its transition plans. On balance, given the commitment by management and the board on its Net Zero climate ambition, we decided to continue our support of the transition plan.

12

SHELL is a global energy and petrochemicals company operating in more than 70 countries.

Issues: Environmental - climate change

Through 2019 and 2020 and, into 2021, we engaged the company on its medium and long term ambitions to reduce its greenhouse gas emissions, including not supporting management on a shareholder resolution proposed by the interest group Follow This. At the 2021 AGM we voted in favour of managements' energy transition strategy and voted against a follow-up shareholder resolution requesting the company to set and publish targets for GHG emissions. It's reported 11% voted against the management resolution whilst 30% voted in favour of the shareholder resolution.[43]

Shell published its Energy Transition Strategy in April 2021,[44] ahead of the company AGM in May 2021. We acknowledge this strategy has received some criticism, based around the absence of interim absolute emission reduction targets and questions over the company's alignment with the Paris Goals. In Q4 2021, we continued our engagement with Shell covering topics like targets for scope 3 emissions and, use of carbon 'offsets', carbon capture and storage and, nature-based solutions to meet its reduction targets. We note the company does not meet the 'capital allocation alignment' criteria under the CA100+ benchmark assessment, which we think is an important signal of alignment between shareholders and stakeholders. We intend to engage further with Shell in 2022.

43 IPE International Publishers Limited
44 Shell

12

GENERAL MOTORS COMPANY (GM) is an American multinational automotive manufacturing company. Headquartered in Detroit, Michigan, the company is the largest automobile manufacturer based in the United States and one of the largest worldwide.

Issues: Environmental – climate change

We voted against a shareholder resolution which requested the company report on GHG emissions targets as a performance element of executive compensation. Whilst we are supportive of both GHG emission reduction targets and thoughtful addition of ESG metrics in executive pay, we want to see alignment between executive pay, company strategy, shareholder interests and broader stakeholders. Incentives that create misalignment or, perverse outcomes, in our opinion may lead to destruction of shareholder value.

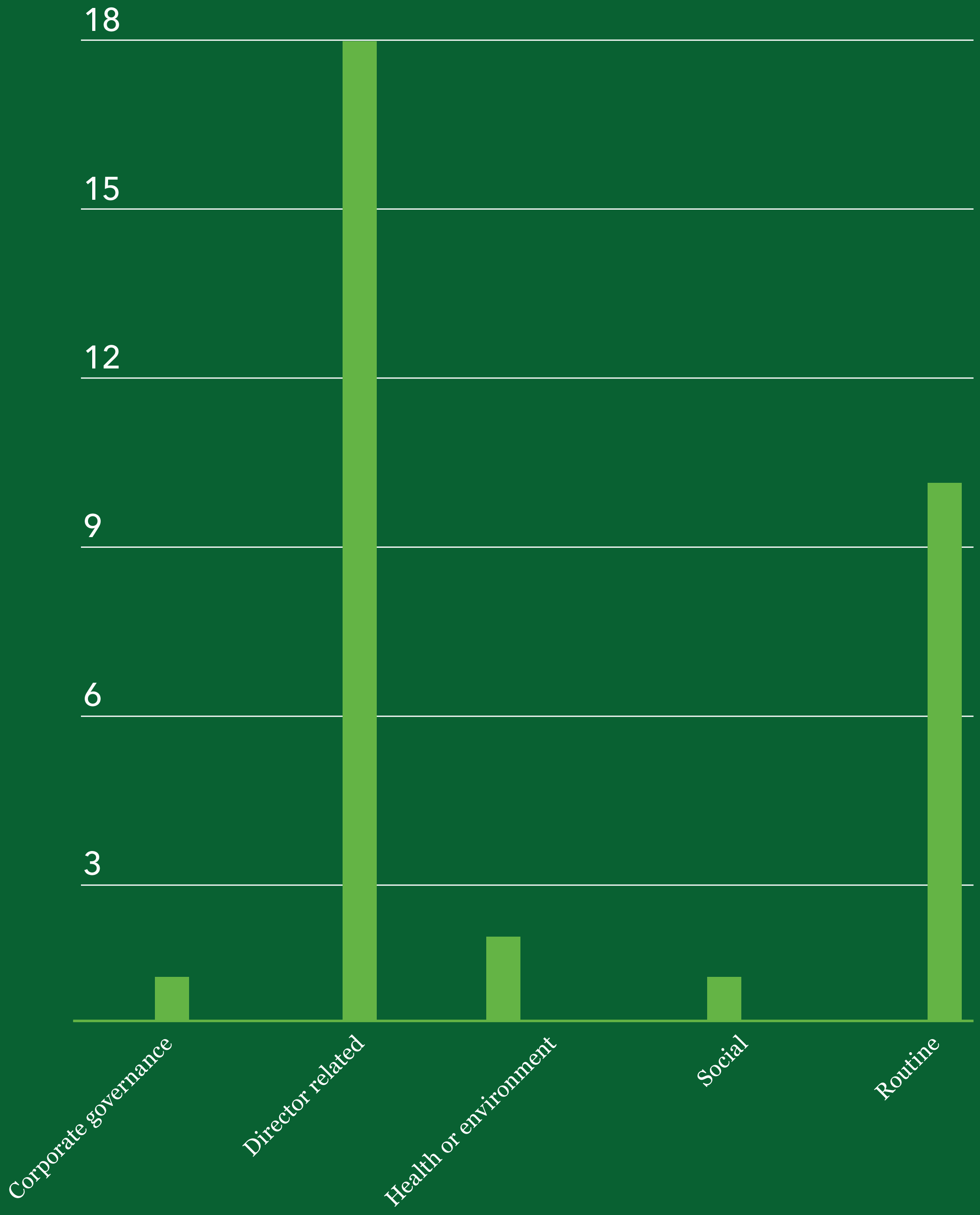
12

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

Issues: Environmental – climate change

We wrote in detail about our stewardship activities with the company starting on page 54. At the 2021 AGM, we supported the dissident slate, led by investor Engine No. 1, and did not support the management slate. This led to three of the four shareholder nominees being elected to the board. Whilst company culture does not change overnight, it seems the effect of sustained shareholder pressure is the company made a commitment to cut GHG emissions from its oil and gas operations to Net Zero by 2050 and, to publish a series of roadmaps during 2022 on how each major business line will transition to Net Zero.[45] While not perfect, it is a step in the right direction for a large, multinational, fossil-fuel company.

32 VOTING FOR SHAREHOLDER RESOLUTIONS AGAINST MANAGEMENT RECOMMENDATION



'Say on Climate' votes

aena

12

AENA is a leading airport operator, based in Spain.

Issues: Environmental – climate change

In 2021, we voted in favour of two resolutions at Aena. Aena engages in operation and management of airports and heliports and manages commercial spaces. The engagement was led by TCI and they filed the resolutions on the agenda, crucially gaining management support. Support for the Say On Climate resolutions at was almost unanimous.[46]

98.2% of shareholders voted in favour of holding an annual advisory vote on Aena's Climate Action Plan

96.5% of shareholders voted in favour of amending the company's bylaws accordingly

Thoughtful governance

2 3 5 8

HOW WE GOVERN RESPONSIBLE INVESTMENT AND STEWARDSHIP

2

Our Executive Committee is accountable for responsible investment and stewardship activities, while oversight of these activities is delegated to the Responsible Investment Committee.

Overall accountability with regards to responsible investment strategy and risk management lies with Ruffer's Executive Committee, with oversight by the Board. The Executive Committee are responsible for setting the roadmap and priorities for the ongoing development of this strategy, the implementation is led by Miranda Best (as Deputy CEO/Head of Investments) and Aled Smith (as Deputy CIO).

The Responsible Investment Committee was established in 2020 to ensure the robust integration of ESG considerations and effective stewardship. It is made up of the Deputy CIO, Portfolio Managers, Research Directors, and leads of regulatory policy and internal ESG initiatives as required. As our internal ESG processes and external commitments evolve as a result of strategic decisions, so the Terms of Reference of the committee are amended to ensure that this is an effective forum. In this regard, in 2022 the Responsible Investment Committee will evolve further, chaired by the Deputy CEO Miranda Best, responsible for oversight and governance of responsible investment at Ruffer, with regular reporting to the Executive and Board as required.

This committee monitors the firm's responsible investment policies and processes, and the delivery and execution of responsible investment, including stewardship activities and managing any risks that arise. The group reviews reporting and metrics on activity from a client and investment perspective, in line with the firm's purpose. The group also oversees our public response to initiatives such as the Taskforce for Climate-related Financial Disclosures, as well as monitoring and steering for major internal initiatives and response to regulation.

DIVERSITY AND INCLUSION AT RUFFER

We want Ruffer to be a vibrant firm where everyone believes in what we do and is driven to help us do it better. Our emphasis is on collective achievement, not individual glory. Putting our clients' interest first. We want our people to feel included at Ruffer, and for Ruffer to be inclusive of diverse background, education and heritage.

The ideal? Everyone at Ruffer feels cared for, valued, and trusted.

Ruffer launched a three year plan during 2021, with linked but separate 12-18 month shorter targets, to focus the business around diversity and inclusion. We did this to

- Strengthen the Ruffer culture
- Build a vibrant workplace
- Maintain strong engagement and loyalty
- A place where everyone can be themselves and feels included
- Allow people to play to their strengths, be curious to learn, and share insights and ideas
- Create a caring, welcoming environment where everyone's contribution is recognised

As initial steps, we redesigned the recruitment process, removing bias and references to 'culture fit' and, focused upon our early careers and internship programme, including signing up to the 10,000 BlackInterns initiative.

WHO DOES WHAT? RESOURCES FOR RESPONSIBLE INVESTMENT AND STEWARDSHIP ACTIVITIES 2

These activities are conducted by a number of individuals across the business, ensuring robust governance, oversight and implementation.

Our Responsible Investment team is supported by, and supports, ESG analysis and stewardship activities by ESG specialists from our portfolio management team and the analysts within the Research team. An ESG specialist may work with the Research Analyst to conduct ESG analysis. This helps ensure ESG analysis and stewardship activities are integrated into our investment process in a consistent and systematic way.

10,000 Black Interns

10000blackinterns.com seeks to offer 2,000 internships each year for five consecutive years. We have partnered up with firms from 24 different sectors, delivering internships across a range of internal business functions. Each internship offered presents the opportunity to change a life. Each interview offered provides invaluable experience and each training session can genuinely change an individual's trajectory. The initiative purpose is to transform the horizons and prospects of young black people in the United Kingdom by offering paid work experience across a wide range of industries, as well as world-class training and development.

ESG SPECIALISTS AND RESPONSIBLE INVESTMENT COMMITTEE MEMBERS AS AT 31 DECEMBER 2021

Responsible Investment team	Research team	Portfolio management – institutional team	Portfolio management – private client and charity teams	Support
Franziska Jahn-Madell*# Director – Responsible Investment	**Aled Smith†** Deputy CIO	**Alex Lennard*** Investment Director	**Harry Sevier*** Investment Director	**Christian Judge*** Operations Processing Manager
Alexia Palacios Analyst – Responsible Investment	**Des Brennan*** Research Director	**David Benson*** Investment Director	**Rory Goodman** Investment Manager	**Victoria Powell** Regulatory Policy Director
Lorena Cebuc Associate – Responsible Investment	**Simon Mountain*** Research Director	**Jenny Renton*** Investment Director	**Rachel Holdsworth** Investment Manager	
	Tristan Matthews Research Analyst	**Alice Brader** Investment Director	**Ben Crawfurd-Porter** Investment Manager	
		Charalee Hoelzl Investment Manager	**India White-Spunner** Investment Manager	

***Member of the Responsible Investment Committee. More information on key investment staff is available at ruffer.co.uk/whos-who**

#Left Ruffer Q3 2021
†Joined Ruffer Q2 2021

To ensure all Research Analysts and portfolio managers understand ESG considerations, we have conducted in-house training since 2019. In addition, the ESG specialists have completed at least one of the PRI Academy online training courses. Around 50 professionals within Ruffer have completed the foundation courses. We intend to make these courses an ongoing and required component of professional development.

HOW OFTEN DO WE REVIEW OUR POLICIES AND PROCESSES? 5

We review our policies and processes annually.

In 2020, a firm-wide review of our ESG and responsible investment (RI) activities was carried out by several groups focusing on clients and reporting, regulation and our investment process. Many of the areas these project groups have worked on are now in the implementation stage or have concluded. However, with increasing expectations of our clients and the industry, our approach is not static. Although we published our TCFD report including carbon footprint, we will expand to other asset classes and think about climate scenario analysis from a macro perspective. From an organisational structure angle, the RI team now sits within the Research function alongside the fundamental analysts. In 2022 it will be strengthened with additional human capital and technology solutions. We prepare different reports for each of our three main client categories. They are available at ruffer.co.uk/responsible-investing

In 2022, we will expand on Ruffer's first TCFD report and, ensure our reporting meets the needs of clients who have similar reporting obligations. We continue to remain abreast of the EU sustainable finance regulations, and other regulatory requirements, and assess how these will apply to Ruffer and our underlying funds. We are focusing on the Sustainable Finance Disclosure Regulation (SFDR), while also preparing for the EU taxonomy and potential sustainability-related amendments to the delegated acts of MiFID II, UCITS and AIFMD.

Our policies and processes for responsible investment and stewardship are reviewed annually by the Responsible Investment Committee and updated, amended or supplemented as needed. As our stewardship activities inform our investment analysis and decision-making, and vice-versa, the effectiveness of these activities is reviewed by senior members of the research team. We conduct a regular audit to monitor our voting activities and ensure any issues are resolved. Given Ruffer's size, we have so far not sought external assurance on our policies and processes for responsible investment and stewardship.

DIALOGUE WITH OUR RESPONSIBLE INVESTMENT SERVICE PROVIDERS 8

We monitor the data we receive from our service providers and provide feedback.

We monitor industry trends and issues and speak to companies about the quality of data published by service providers, such as MSCI ESG Research and ISS. We also compare the data and analysis of these service providers with our in-house analysis. On a number of occasions, we have relayed data issues to our providers. As we use the external research only as an input into our own analysis, rather than relying on specific ratings, we feel that having access to a variety of research methodologies adds to the depth of our analysis. We review our current relationships more formally on an annual basis and consider new providers when appropriate.

REMUNERATION AT RUFFER 2

Our incentives are structured to encourage an organisational culture and behaviours which deliver our investment objectives and constructive client relationships.

Ruffer is a partnership, owned by current and former members of staff. The partnership is broad and inclusive, encompassing leaders from the research, portfolio management and support teams. Partners have their capital at risk and are obliged to invest a material amount of their own money in Ruffer funds, alongside clients. The partnership structure aligns the interests of its members with those of its clients in seeking to achieve long term investment returns and client relationships. Partners are the guardians of our culture, responsible for exemplifying our commitment to excellent investment performance and service that puts clients first. A partner's performance in relation to our purpose and firm priorities is an important determinant of their remuneration.

Ruffer is meritocratic and rewards are linked to performance, but no proportion of remuneration is directly tied to returns in client accounts. We do not have a short-term bonus culture, which reduces the moral hazard to clients' funds from managers taking undue risk in the hope of short-term reward. Additionally, there are no performance fees, which could encourage risk-taking, when absolute return should principally be about removing risk and preserving capital.

Our specialist Responsible Investment team's performance review is based on specific key performance indicators, such as the implementation of a responsible investment-specific training programme across large parts of the organisation and the delivery of a responsible investment communication strategy. The team's variable pay is also linked to these indicators.

OUR FEEDBACK FROM THE FRC ON OUR 2020 STEWARDSHIP CODE REPORT

We welcomed detailed feedback from the FRC about our 2020 Stewardship Code report. The areas requiring additional focus or disclosure, which we have sought to address in our 2021 report, included our approach to managing conflict of interest, particularly relating to stewardship, an assessment of our effectiveness in identifying and responding to market-wide and systemic risks and promoting well-functioning financial markets, additional client data, comments on service providers, differences in engagement geographically and escalation thereof.

Glossary

AGM
Annual General Meeting

CARBON FOOTPRINTING
The calculation of the total greenhouse gas emissions caused by a product or an organisation

CDP
A non-profit that runs a global disclosure system to provide investors and other stakeholders with data on how companies, cities and states are managing their environmental impacts

CIRCULAR ECONOMY
Where resources are continually used and waste is eliminated, in contrast to a linear economic model where resources are used and then disposed of

CLIMATE ACTION 100+
Initially a five year initiative launched in December 2017 to engage with the world's largest corporate greenhouse gas emitters, it has grown into the largest investor engagement initiative on climate change. The initiative, which is led by investors, has three high-level goals on climate-related matters: to improve governance, reduce emissions and increase disclosure. It is engaging with 166 companies. By April 2022, the initiative was supported by more than 700 investors, representing $68 trillion in assets under management and more than 80% of global industrial emissions[47]

CROSS-SHAREHOLDINGS
Reciprocal holdings of equity positions, often held to strengthen long-term business relationships between companies

DISINVESTMENT (DIVESTMENT)
The act of selling the shares of a company in response to concerns over environmental, social, governance or ethical issues

ENERGY TRANSITIONS COMMISSION (ETC)
Brings together commissioners from a range of backgrounds, including highly carbon-emitting industries, to find ways to accelerate the energy transitions needed around the world to achieve the goals of the Paris Agreement (see below)

ENGAGEMENT
The process of continued dialogue with a company and other relevant parties, with the aim of influencing their behaviour on environmental, social or governance practices

ESG
Environmental, social and governance

EU ACTION PLAN FOR FINANCING SUSTAINABLE GROWTH
In response to recommendations from the High-Level Expert Group on Sustainable Finance, the EU Commission launched the EU Action Plan for Financing Sustainable Growth. The plan outlines 10 reforms in three areas: re-orienting capital flows towards sustainable investments; making sustainability a mainstream part of risk management; and fostering transparency and long-termism in financial and economic activity

EXCLUSION
An approach that restricts investment in certain sectors (such as the tobacco sector) or companies based on specific criteria, such as if a company derives more than a specified percentage of its revenue from gambling activities

47 climateaction100.org

EGM
Extraordinary General Meeting

FSB
The Financial Stability Board is an international body that monitors and makes recommendations about the global financial system to promote international financial stability

GREENHOUSE GAS EMISSIONS
This is the emission of gases that can absorb infrared radiation and therefore trap heat in the atmosphere, causing global temperatures to rise. These emissions can be classified as: scope 1 – direct emissions from the burning of fuels; scope 2 – indirect emissions from heat and electricity used; and scope 3 – all other indirect emissions

IIGCC
The Institutional Investors Group on Climate Change (IIGCC) is a collaborative platform for European investors to encourage public policies, investment practices and corporate behaviour that address the long-term risks and opportunities associated with climate change

INTEGRATION
The systematic inclusion of ESG considerations into investment processes and investment decision-making

JUST TRANSITION
An investor statement presented at COP 24 (Conference of Parties) of the United Nations Climate Change Conference in December 2018 at Katowice in Poland. The statement reflects the commitment in the Paris Agreement that the transition to a low-carbon economy needs to be 'both fast and fair' for workers and communities. Ruffer is a signatory to this statement, which has so far attracted support from 100 investors, representing $5 trillion in assets under management[48]

KPI
A key performance indicator is a metric often used in remuneration policies to assess a company's performance against a set of targets or objectives

LIFE CYCLE ANALYSIS
Determines the environmental impact of a product through all stages, from its manufacture to its use and finally its disposal or recycling

NATIONALLY DETERMINED CONTRIBUTION
A country's commitment to reduce its greenhouse gas emissions and details of how it intends to adapt to climate change, which are submitted every five years

NET CARBON FOOTPRINT
Total emissions from the production and use of energy products over their entire life cycle

NET-ZERO
When anthropogenic emissions of greenhouse gases into the atmosphere are balanced by equivalent removals from the atmosphere over a specified timeframe

PARIS AGREEMENT
A global agreement reached in December 2015 at the United Nations Climate Change Conference in Paris and ratified in October 2016 with the aim of limiting the global temperature rise this century to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C

48 London School of Economics (2018), report dated December 2018 shows it is vital for investors to support a just transition for workers

PRI

The Principles for Responsible Investment were launched in 2006. The Principles are voluntary and provide a number of different ways to incorporate ESG into a signatory's investment approach. By becoming a signatory to the PRI, investors commit to the following

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

Ruffer is a signatory to the PRI as part of our commitment to responsible investment

RESPONSIBLE INVESTMENT

At Ruffer, we interpret responsible investment as the incorporation of ESG considerations throughout our investment process while behaving as active stewards of our clients' assets

SCENARIO ANALYSIS

This is a process of examining and determining possible events by considering various potential results or outcomes. With regard to climate change, it is a tool to understand better the potential implications of different increases in global average temperatures on a company's business, and to enable strategic thinking about long-term risks and opportunities

SCIENCE-BASED TARGETS

Targets adopted by a company to reduce its greenhouse gas emissions are considered science-based if they are in line with the level of decarbonisation required to achieve the goals of the Paris Agreement

SOCIAL LICENCE TO OPERATE

Exists when a company has the approval of its employees, the local community and other stakeholders to continue to operate in the region

STEWARDSHIP

Active engagement with a broad range of stakeholders and voting at company meetings

STRANDED ASSETS

These are assets that will not be able to earn an economic return for their full usable life. This can happen for a number of reasons including regulatory, economic or physical change and is particularly important in relation to conventional fossil fuel assets, due to the length of their usable lives

SDG

The Sustainable Development Goals are a set of 17 global goals with 169 targets, launched by the United Nations in September 2015. The goals form part of the 2030 Agenda for Sustainable Development. They are contained in paragraph 54 of United Nations Resolution A/RES/70/1 of 25 September 2015

TAKEOVER DEFENCE MEASURES

These measures can take a number of different forms, one of which is called a poison pill. Often, this allows a company to issue stock warrants at a discount, which dilutes the ownership of the company pursuing the hostile takeover. This makes a takeover more expensive and so less likely

TAILINGS DAMS

Physical structures used to store by-products from mining activities. Mined rock is ground and mixed with chemicals and water to extract the minerals and metals. Tailings are what is left once the minerals and metals have been extracted. They usually take the form of a slurry of fine particles but can be solid or liquid

TCFD

The Task Force on Climate-related Financial Disclosures develops climate-related financial risk disclosures for companies to enable the provision of consistent data to a variety of stakeholders including investors, lenders and insurers

TPI

The Transition Pathway Initiative is an asset-owner-led initiative that tracks and evaluates how companies are managing their greenhouse gas emissions, and the risks and opportunities arising from the transition to a low-carbon economy.

UNGC

The United Nations Global Compact (UNGC) is an initiative to promote responsible corporate citizenship, with ten principles on human rights, labour standards, the environment and anti-corruption

Contact us

ALED SMITH
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Joined Ruffer in 2021 from an Investment Director role at JO Hambro Capital Management. Previous roles include leading the global equities division at M&G Investment where he successfully managed a number of funds including the M&G Global Leaders Fund.

ALEXIA PALACIOS
Analyst, Responsible Investment

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Joined Ruffer in 2014 after graduating from the University of Cambridge with first class honours in Land Economy. Having gained experience in responsible investment while working with Ruffer's Charity team, she has specialised in this area since 2018. She has completed the PRI Academy Responsible Investment Essentials and Enhanced Financial Analysis courses and is a CFA charterholder.

LORENA CEBUC

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Joined Ruffer in 2020 after working at BlueBay Asset Management and London Stock Exchange Group, where she mainly focused on ESG and growing European institutional business. In 2017, she graduated from the University of Manchester with a BSc (Hons) in Mathematics with Finance and has completed the Investment Management Certificate.

FURTHER INFORMATION

The following documents are available at ruffer.co.uk/responsible-investing

- ESG and responsible investment annual reports
- Quarterly stewardship activities reports
- Quarterly responsible investment reports
- Responsible investment policy
- Engagement policy
- Voting policy
- Our response to the UK Stewardship Code
- Our response to the Japan Stewardship Code
- Taskforce on Climate Related Financial Disclosures Report, Climate change framework 2021
- Our voting summary
- A selection of articles on responsible investment topics

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

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