Stewardship activities in Q1 2020

EQUINOR (formerly Statoil) is a Norwegian energy company developing oil, gas, wind and solar energy in more than 30 countries worldwide

Climate Action 100+ group meeting with Lars Christian Bacher, CFO, and other colleagues

Issues: Environmental, governance: climate change and remuneration

We discussed at length the new climate ambitions which the company had published in February 2020. We are encouraged by the targets the company has set, including to reduce the absolute greenhouse gas emissions from its operations in Norway by 40% by 2030, and its ambition to reduce its net carbon intensity by at least 50% by 2050. The net carbon intensity measure includes its scope 1, 2 and 3 greenhouse gas emissions from initial production to final consumption, and therefore takes into account the emissions from the use of the company's products. We spoke about the changes that will be necessary to meet these targets, particularly how the company will develop its renewables portfolio. We also focussed on how these targets and ambitions were set, the governance of climate-related risks within Equinor and, on the topic of remuneration, how one of the key performance indicators for the executive team is linked to these climate goals.

MITSUBISHI ESTATE

MITSUBISHI ESTATE is a Japanese real-estate developer, focused on both office and residential properties

Meeting with Hitoshi Kubo, General Manager - General Affairs Department; Fumiyasu Tanaka, Senior Manager - General Affairs Department; and other colleagues

Issues: Governance – cross-shareholdings, takeover defence measures and board effectiveness

We asked about the progress of reducing the company's cross-shareholdings and how it is approaching the evaluation of these cross-shareholdings as specified in the Japanese Corporate Governance Code. On the topic of the takeover defence measure, in previous meetings in 2019 we had stressed that we would not support the measure if it was put to a vote and we are encouraged that the company did not renew the measure at the 2019 AGM. We praised the company for this decision and we also discussed the implications of this change and the additional steps that the company is taking to improve its corporate governance. We expressed our positive view on the company's intention to strengthen its capital policy and discussed the inclusion of new numerical targets. We also discussed the outcome of a recent internal board effectiveness review and asked about the alignment of the board composition with the long-term strategic focus of the company.

WALT DISNEY is a worldwide entertainment and media company. It was founded in the 1920s as a cartoon studio.

Conference call with Tamara Munsey, Vice President – Investor Relations

Issues: **Governance: succession planning, board structure, lobbying and remuneration**

We discussed succession planning at length, given that Bob Iger's* contract expires at the end of 2021. We focussed on the internal candidates we had identified as likely to succeed him, as the company had not released a list of those under consideration. Given the distinctive culture at Disney, there is a preference for an internal candidate if the skill sets are also preferable and we discussed the most important criteria for selecting his successor. With regards to the board, we discussed our concerns over the tenure of the lead independent director and whether there were plans for this role to be passed to one of the directors more recently added to the board. We stressed that this is of particular importance to us when there is not an independent Chair of the Board. The company responded that this is not currently under consideration as they consider directors with a tenure of less than 15 years as independent.

On the topic of lobbying and the company's memberships of trade associations, we voted for a shareholder resolution in 2018 and 2019 requesting additional disclosure. While the company has responded to these resolutions by increasing its disclosure, this only includes trade associations based in the US. As the framework has been established, and the analysis already conducted for these associations, we do not think it is onerous for the company to expand this to cover all trade associations of which it is a member. We stated this clearly to the company and supported the shareholder resolution in 2020.

We spoke about executive remuneration, in particular the quantum and rigour of the performance conditions. In response to feedback from shareholders the company has both reduced the quantum and made the performance conditions of the one-time equity grant more stretching. We pushed the company to apply these more rigorous criteria to the long-term incentives.

*Current CEO at the time of the engagement. On 26 February 2020, it was announced that Bob Chapek would succeed Bob Iger as CEO of Walt Disney.

WHITBREAD

WHITBREAD owns and operates hotels and restaurants and is based in the UK. Its brands include Premier Inn, Beefeater and Brewers Fayre.

Meeting with Adam Crozier, Chair of the Board, Chris Vaughan, General Counsel, and Paul Tymms, Head of Investor Relations

Issues: Governance – remuneration, succession planning and human resources changes

Following the sale of the coffee chain Costa, a new remuneration policy for management was proposed. There was significant dissent when this policy was put to shareholders at the EGM in 2019 and Ruffer voted against the proposed policy. This engagement meeting was initiated as an avenue to provide further feedback following the EGM. We discussed the board's interpretation of the outcome and the rationale behind the adoption of an unconventional remuneration policy. We also expressed our concerns around the suitability of the key performance indicators for management and questioned their alignment with the company's long-term strategy. We also discussed the succession planning underway for management and a long-standing independent director. Given the shifts in the company's priorities, we also discussed the internal workforce restructuring and recruitment efforts in Germany.

The **INVESTOR MINING & TAILINGS SAFETY INITIATIVE** was set up in early 2019, led by the Church of England Pensions Board and the Council on Ethics of the Swedish AP Funds, with the aim of creating a complete list of tailings dams around the world and an international standard for safety based on the serious consequences of failure.

Participated in the Global Tailings Summit in January 2020 which was attended by a broad range of stakeholders from investors to insurers and company representatives, to members of the communities affected by recent tailings dam collapses. The summit was held one year after the Brumadinho tailings dam collapsed in Brazil.

Issues: Environmental, social: tailings dams

We received an update of the progress of the Initiative from the Church of England Pensions Board and the Council on Ethics of the Swedish AP Funds and on the Global Standard in Tailings Management from Professor Bruno Oberle. We were involved in the discussions on a set of expectations for tailings management. As part of our involvement in the collaborative engagement initiative, we followed up with ExxonMobil and Yara to encourage them to respond fully to the questionnaire from the Investor Mining & Tailings Safety Initiative and stressed how important this issue is to investors. Both companies have since responded to the Initiative.

HM Treasury

In addition to our engagement activities with companies we also engage with policy makers through industry bodies such as the Institutional Investors Group on Climate Change (IIGCC) and the Principles for Responsible Investment (PRI), particularly on climate change-related issues. We have responded to multiple policy consultations in relation to the European Commission's Action Plan on Sustainable Finance, and the UK Treasury Select Committee's Decarbonisation Inquiry. In February, we met with representatives of HM Treasury to discuss the UK's Green Finance Strategy.

Issues: Environmental – climate change

We shared Ruffer's view on the objectives of the Green Finance Strategy and key legislation under the EU Sustainable Finance Action Plan. We wanted to understand the Government's future direction of the Strategy and the UK's implementation of the Action Plan.

The Treasury explained that the Task Force for Climate-related Financial Disclosures (TCFD) is a key part of the Government's Green Finance Strategy. The Government has set up a working group comprised of the Financial Conduct Authority, the Prudential Regulation Authority, the Bank of England and the Pensions Regulator to work out the best approach for increasing adoption of the TCFD recommendations. The working group is assessing the merits of mandatory disclosure through primary or secondary legislation.

The Treasury underlined that it will aim to ensure consistency of the UK regulatory framework with the EU Sustainable Finance Action Plan and does not intend to develop a set of separate standards. However, questions remain around the UK's implementation of the Action Plan as although the low carbon benchmarks regulation will come into effect before the end of the transition period, the taxonomy and disclosures regulation will not.

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