Stewardship activities in Q4 2020

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

Climate Action 100+ call with Aditya Mittal (CFO and board member), Bruno Lafont (Lead Independent Director), Brian Aranha (Executive Vice President) and other senior colleagues

Issues: Environmental, governance – climate change, remuneration, 2021 AGM

The three lead investors of the Climate Action 100+ working group for ArcelorMittal discussed the company's transition plan and praised the announcement in September 2020 of a target to be net-zero by 2050 across its global operations. This commitment followed a number of discussions between the leads of the Climate Action 100+ working group and the company over the last year and we are encouraged by the progress that has been made so far. Using the Climate Action 100+ Net-Zero Company Benchmark as a framework, we discussed areas in which progress still needs to be made, including setting short and medium-term greenhouse gas emissions reduction targets and the development of a transition plan. The benchmark has been developed to enable investors to track progress of companies against the aims of the Climate Action 100+ initiative in an objective and consistent way.

The company has committed to setting a 2030 target across its global operations in its second Climate Action report which is due to be released early in 2021. This target will reflect the development of technologies both in the 'smart carbon' and 'DRI' (direct reduction iron-ore) routes. We discussed whether the 2030 target would align with the net-zero-by-2050 trajectory, focusing on the difficulties of achieving this given the non-linear development of new technologies and the uncertainty of the policy environment. On the topic of a transition plan, we suggested components that we felt would be helpful for investors to better understand how the company will achieve the targets.

We discussed the governance of climate-related risks within the company. Mr Lafont spoke about how board oversight has increased significantly in the past few years, with regular reviews at both the relevant committee and whole board level. We also discussed the board effectiveness assessments and how these include climate change capability and knowledge. We asked about linking the achievement of the 2030 greenhouse gas emissions reduction target to executive remuneration. Mr Lafont emphasised that management have been focused on climate change and that the progress made so far has been achieved without these links. He explained the challenges of incorporating a link to executive remuneration and stressed that this does not mean addressing climate change is not a priority for management.

We think it is important that investors can both attend and participate in AGMs, whether in person or virtually. This is because AGMs are not just an important component of decision making, but are also about good communication between the board and shareholders. We were disappointed not to be able to listen to or participate in ArcelorMittal's AGM in 2020, due to the covid-19 pandemic. We therefore again proposed that the company starts to make preparations for holding a hybrid AGM in 2021, in order to allow investors to attend and participate both in person (assuming the current restrictions have been lifted) and virtually. The company committed to considering this proposal.

CENTENE is a US managed care organisation

Call with Jennifer Gilligan (Senior Vice President, Finance and Investor Relations), Susan Coatar (Vice President), Matthew Snyder (Senior Vice President, Internal Audit, Compliance and Risk Management) and Erica Silver (Director, Investor Relations)

Issues: Governance – succession planning, board structure, political contributions

Following the 2020 AGM where we voted against the re-election of two directors (including the Lead Independent Director), we engaged with the company on the current board structure. Given the combined Chair and CEO role held by Michael Neidorff and the tenure of the Lead Independent Director (who has served on the board for 24 years), we explained the importance of the non-executive directors in ensuring there is sufficient independent discussion to provide a counter-balance to management. On the topic of succession planning, the company explained that this is a priority for the board and that planning is underway. We also highlighted our concerns about the tenure of members on the board given seven of the twelve members, including the chairs of the committees, have served on the board for 13 years or longer. The company does not therefore have fully independent audit, remuneration or nomination committees. In our view these are critical to ensure the robust oversight of management, design of appropriate incentive structures and appointment of new members with suitable skills and experience. We will continue to engage with the company on its board structure.

On the topic of political contributions disclosure, we expressed our support for the shareholder resolution which was passed at the 2020 AGM requesting additional information regarding the company's direct and indirect political contributions, including payments to trade associations. The company confirmed that it has moved forward on this internally and plan to release this information biannually. The first disclosure is due in January 2021, which will encompass the 2020 election cycle.

CREST NICHOLSON is a housebuilder based in the UK, founded in 1963

Call with Iain Ferguson (Chairman), Octavia Morley (Chair of the Remuneration Committee and Senior Independent Director) and Jenny Matthews (Investor Relations)

Issues: Environmental, governance – sustainability strategy, board structure, succession planning, remuneration

We discussed the recent changes to the board, including the addition of two new members. The company explained how it has been working to integrate the new members despite a working from home environment. We explored how the company endeavours to appraise the board and its effectiveness through internal and external evaluations. We asked the company, in light of the recent changes, whether there will be any further changes to the board in the near future. It was noted that the company hopes that the current board structure should enable a number of years of stability.

We were pleased to hear that as part of the development of Crest Nicholson's ESG strategy, the company has been considering how to incorporate ESG considerations into executive remuneration. Currently, this is focused on incorporating health and safety targets, with plans to evolve this to include targets for employee turnover and engagement. We pushed the company to consider incorporating environmental factors too. We were pleased that since our last call the company has formed a Sustainability Committee, and that this is being chaired by the CEO. We discussed changing consumer demands and government policy in light of the growing awareness of environmental issues. The company continues to work on the disclosure of its emissions, and we look forward to the incorporation of this information into the annual report.

FUJITEC is a Japanese escalator and elevator manufacturer

Call and correspondence with Yoshiichi Kato (Director, Senior Executive Operating Officer), Yasuhiko Kimura (Operating Officer, General Manager of Corporate Planning) and Hidehito Wakabayashi (Operating Officer, Deputy General Manager of Finance HQ)

Issues: Governance – cross-shareholdings and director independence

We expressed our concern regarding the company's cross-shareholdings and uncancelled treasury shares, explaining that we consider these to be an inefficient use of capital. We emphasised our support for the Japanese Corporate Governance Code, which pushes for the reduction in cross-shareholdings. We explained our support for a three committee board structure over a traditional Japanese board with statutory auditors (known as a kansayaku board structure), in order to improve transparency of decision-making. We recommended the creation of compensation and nomination committees with fully independent members. Following this discussion, Fujitec released its 'Future Strategic Direction Plan' which outlines the company's new policies with regards to business strategy and capital policy. The plan includes a commitment not to renew the company's poison pill when it expires in June 2022, the establishment of independent nomination and compensation committees, and a cancellation of half of the treasury shares. The company has also committed to setting up an employee share incentive scheme, which we consider to be a positive step in terms of alignment with shareholder interests.

GENERAL MOTORS is an American automobile manufacturer headquartered in Detroit

Call with Andrew Beck (Investor Relations Manager), Sharon Basel (Senior Sustainability Manager) and Scott Cross (Corporate Governance Manager)

Issues: **Environmental, social, governance – low carbon transition, lobbying, board structure**

We had a conference call to continue our engagement on emissions standards, board structure and lobbying, as well as to discuss the company's electric vehicle transition plan.

Given the importance of electric vehicles (EVs) to the company's overall strategy, and its recent commitment to increase its combined investment in electric and autonomous vehicles to $27 billion by 2025, we discussed the topic in detail. We focused on how the company plans to balance its ambitions for EVs with its existing internal combustion engine businesses, and its strategy for EV adoption across different markets both within and outside the US. General Motors detailed the measures the company has put in place internally to manage the transition, including the expansion of the planned range of EVs to cater to different markets. We also discussed its partnerships with other autos makers which are focused on increasing the efficiency of its internal combustion engines and are likely to free up investment for EVs.

On emissions, the company stated that they expect to be compliant with emissions standards across its fleet, and that its commitment to an all-electric future is a key component to delivering this. We asked how management are thinking about the future path of regulation, particularly in light of the change in administration in the US. The company reiterated that it is are fully committed to delivering on the strategy, regardless of the political landscape.

We asked for more disclosure on how the company links its emissions targets and its EV strategy to executive remuneration. The company explained that it expects to announce detailed alignment of remuneration with ESG, including EV transition, targets next year. We welcomed this and stressed the importance of these targets being quantitative and sufficiently ambitious.

On governance, we highlighted that we had again voted against two directors that we consider to be entrenched and asked how the company plans to maintain sufficient diversity of experience and skillsets on the board. The company explained that it has launched a formal five year board succession plan. It is looking to add members with experience in technology, disruptive industries and venture capital to reflect its transition to an EV technology business. We stressed the importance of having directors with climate change experience on the board, and of having an individual board member accountable for sustainability.

On lobbying, we raised that we had voted for the shareholder resolution for a lobbying report for a second time. The company explained that it continues to engage with investors on this and are looking to provide increased disclosure of trade association memberships next year. We stressed that we see improvements in lobbying disclosure as an important issue for General Motors and will continue to engage on this topic.

GOLD FIELDS is a gold producer that operates mines and projects in Australia, Chile, Ghana, Peru and South Africa

Call with Andrew Parsons (Vice President, Group Sustainable Development) and Thomas Mengel (Investor Relations Manager)

Issues: Environmental, social, governance – management of cultural heritage sites and First Nations and Indigenous community relations, tailings dams, employee relations and stakeholder management during the covid-19 pandemic

As a consequence of the destruction of a number of caves of cultural and archaeological significance in the Juukan Gorge in Australia in May 2020, Ruffer formed part of a group of investors that wrote to mining companies to stress our concern over this event and to put pressure on companies to prevent similar incidents in the future. We discussed the letter with Gold Fields, which included a request to detail the current processes it has in place to manage cultural heritage sites and its relations with First Nations and Indigenous communities. We were encouraged by the company's commitment to respond to the letter and how it has seen this as an opportunity to review its current processes, with detailed discussions at both executive and board levels focused on cultural heritage safeguards. The company is also playing an active role within the industry on this topic as it recognises the importance of maintaining its social license to operate. In light of this, the company has reached out to its workforce to better understand their cultural heritage concerns.

Gold Fields endorsed the Global Industry Standard for Tailings Management when it was published in August 2020. As a member of the International Council on Mining and Metals (ICMM), the company had been involved in the creation of the standard and committed to implement it within the timeframe agreed. We are encouraged by these steps, and the progress the company has made in addressing this issue since our discussion in 2019. This includes the appointment of a Group Head of Tailings to ensure corporate oversight and a detailed review of its tailings facilities. We discussed the governance of tailings management, including how members of the board have been actively involved, and the importance of strong systems and a culture of transparency to ensure timely reporting of any potential issues.

Given the challenges of operating in the covid-19 pandemic, we discussed the measures the company has taken to support its employees, including maintaining salaries. The company explained that in most of its jurisdictions, after a short initial lockdown, operations were able to resume with additional protocols in place to ensure employees could work safely. The company was pleased to report that relations with employees have strengthened over this period due to the way it has handled the pandemic and prioritised the health of its workforce.

We discussed the company's sustainability priorities for 2020 and the ongoing discussions at the board and executive level on how best to further integrate these priorities into the company's strategy. We look forward to continuing these discussions in 2021.

HAMAMATSU

HAMAMATSU PHOTONICS is a Japanese semiconductor and imaging equipment manufacturer

Call with Shuichi Osada (General Manager, Investor Relations)

Issues: **Governance – director independence, cross-shareholdings, board structure**

We expressed our concern regarding three members of the board which the company considers to be independent. Two of the directors work at a company linked by cross-shareholdings and one has recently departed from the company's largest lender. We emphasised the need for the independence criteria to include a reference to cross-shareholdings. We discussed the board structure more generally and, although not necessary under the traditional kansayaku structure, the benefits of having truly independent separate nomination and remuneration committees. The company was receptive to our comments and are planning on relaying them to management.

HENNES and MAURITZ GROUP (H&M) is a global fashion, accessories and homeware retailer with significant scale, operating stores in 73 countries and directly employing 177,000 people

Call with Liv Asarnoj (Head of Corporate Governance)

Issues: Governance – director independence, shareholder communication

Our focus for the meeting was on corporate governance and the independence of the directors on the board. We expressed our concern to the company that two directors on the audit committee have been on the board for more than 10 years, and we therefore do not consider them to be independent. We explained in light of this that we are concerned that their long tenures could hinder them in performing their crucial roles on the audit committee. More importantly, one of these directors is the CEO of a company in which Ramsbury, the family shareholder of H&M, have a shareholding in. This introduces a potential conflict of interest. The company confirmed that our concerns will be escalated to the Chair of the Board.

We reflected our frustration that as shareholders we have been unable to meet any executives or board members. Whilst we appreciate our regular conversations with Investor Relations, and understand that H&M is a family business, a line of communication with minority shareholders is important. We suggested avenues for future communication and highlighted that it is important for us to explain our concerns, about the board composition and other issues, directly. Since this discussion we have had a follow up call with the new Head of Corporate Governance and we will use this channel to continue these discussions.

LandSecurities

LAND SECURITIES is a leading UK real estate company

Call with Edward Dean (Sustainability Director), Fernanda Amemiya (Sustainability Reporting Manager) and Edward Thacker (Head of Investor Relations)

Issue: Environmental – sustainability strategy, emissions reduction targets

Given the company's leadership on environmental sustainability in the sector, we begun with a discussion on the drivers of its ambitions. The company explained that it sees sustainability as important both in terms of providing a competitive advantage and in terms of risk management. It has also been participating in various industry initiatives to drive changes at a sector level. We highlighted the importance of sharing best practices and encouraged the company to continue working with its peers and other stakeholders, including tenants, on sustainability efforts. Through our discussions, we also learnt more about the culture at the company and were encouraged to see sustainability embedded in the business processes, targets and remuneration.

The company recently increased its CO_2 emissions reduction targets from 40% to 70% by 2030 and we asked about the scope of this target. The company explained that the targets encompassed all operational aspects of the business, but some scope 3 emissions are excluded as tenants' own sourcing of energy are not always within its sphere of influence. These emissions are however included in its net-zero targets for 2030 and the company has also been increasing its engagements with these tenants to find potential areas of improvements. We also discussed green building certifications and encouraged the company to continue standing behind industry standards and certifications, and encourage laggards to adopt these best practices.

LIVENT is a lithium technology company, providing products for electric vehicles and energy storage along with other industrial applications

Call with Daniel Rosen (Corporate Strategy, M&A and Investor Relations) and George Thomas (Head of Communications and Corporate Citizenship)

Issues: Environmental, governance – progress on sustainability policy formation and targets, data disclosure, board accountability

Subsequent to our engagement with Livent in Q4 2019 we initiated this call to follow up on the company's progress. Since this initial engagement, the company has published its inaugural sustainability report and launched a convertible green note, establishing a green bond framework which was audited by an independent third party.

In terms of the progress detailed in its sustainability report, in 2019 Livent exceeded or nearly achieved its greenhouse gas emissions, energy intensity, water and waste intensity reduction targets across the board five years ahead of schedule. The company has also been focusing on setting appropriate, forward looking targets, following its separation from FMC Corporation. In setting these, the company explained how it is focusing on the salient sustainability topics in the lithium industry, such as renewable energy, water intensity, and social considerations (including local community impact and human rights). The company anticipates releasing these goals in early 2021. Alongside the focus on renewable energy, in Q3 2020 the company announced its commitment to be carbon neutral by 2040 and we discussed how it is thinking about meeting this. We also asked for an update on the 'cradle to gate' Life Cycle Assessment which it undertook in line with ISO standards on its Lithium Hydroxide: the company completed this in 2020 and is currently looking at how to communicate the findings, acknowledging there is demand from its stakeholders for this analysis.

On reporting and disclosure, we are encouraged by the company's progress on aligning with frameworks which will improve the transparency and information available to stakeholders. Livent is planning for its 2020 sustainability report to be fully compliant with the Global Reporting Initiative and aligned with the Sustainability Accounting Standards Board Framework, the Task Force on Climate-related Financial Disclosures and the Sustainable Development Goals. The company is also looking at how it can further align its internal operations with the UN Global Compact, to which it is already a signatory. Finally, we discussed how board-level accountability of the company's strategy is established within the sustainability committee.

We look forward to continuing these discussions in 2021.

NEWCREST MINING LIMITED

NEWCREST is one of the world's largest gold mining companies with operations in Australia, Canada and Papua New Guinea

Call with Bob Thiele (General Manager – Technical Services and Business Improvement) and Tom Dixon (Head of Investor Relations and Media)

Issues: Environmental, social – tailings dams

We focused initially on the changes put in place after the partial slump of a wall of a tailings dam in 2018. The slump happened at the Cadia mine in Australia but the tailings were contained and there were no injuries or environmental damage. We have been following the internal and external review of the event, and we wanted to understand the progress made in implementing the recommendations to prevent similar events occurring in future. We were encouraged by the steps the company has taken, including setting up a Material Business Interruption Risk group, having recognised the need to more comprehensively assess this type of risk.

Tailings management is one of the risks under consideration by this group which provides technical oversight, and the advice of this group has led to a change in the way the company conducts risk assessments. The company has also improved its operational structure by separating the governance and operations of tailings dams, to ensure better accountability. We stressed the importance of engaging with local communities and the company explained that it has established a strong relationship with the community surrounding the Cadia mine. We were encouraged by the company's proactive approach to be part of industry collaborations on the topic of tailings dams as well as conducting a gap analysis to facilitate complying with the new Global Industry Standard on Tailings Management.

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

Calls with Bruno Krief (CFO), Sophie Pierson (Head of Compliance and CSR) and Eva Chauvet (Head of Governance)

Issues: **Environmental, governance – emissions, remuneration**

We discussed the company's remuneration policy and the need to align the interests of the two General Partners with those of minority investors. In light of this, we were pleased to see that a proposal has been put forward at the combined shareholder's meeting in December 2020 to amend the calculation method of the General Partners' dividend. The amendment would introduce a high watermark in order to better align the dividend with the interests of minority shareholders. We also discussed the capital structure of the business and pushed the company to address the underleveraged balance sheet following the disposal of a stake in its storage business earlier this year.

We discussed the energy transition, and the delicate balance of ensuring that customers in Africa and the Caribbean can continue to access affordable energy, with the necessity of reducing carbon emissions. We emphasised that, with this balance in mind, the company should continue to develop its long-term sustainability strategy. We were encouraged that the company has published its scope 1, 2 and 3 emissions. We believe that in order to make decisions on appropriate emissions targets, a company must first understand its starting position, and so we consider this to be a positive preliminary step for Rubis' sustainability strategy. We understand that the company's intention is to publish targets for the reduction of its scope 1 and 2 carbon emissions with its next annual results, which we look forward to learning more about.

TESCO

TESCO is the biggest supermarket in the UK

Call with Steve Golsby (Non-executive director and Chair of the Remuneration Committee) and other colleagues

Issue: Governance – remuneration

Following our engagement ahead of the 2020 AGM in Q2, we had a further discussion with the Chair of the Remuneration Committee. The company discussed the changes it is proposing to make to the remuneration policy which it will put to shareholders at the 2021 AGM. Whilst the policy is largely unaltered from that put to shareholders in 2018, we were encouraged by two modifications. Firstly, the level of pension contributions for the new CEO and CFO will be aligned with those available to the wider workforce. Secondly, the post-employment shareholding requirements will be tightened in line with the Investment Association guidance. We also discussed what changes the company has made since the 2020 AGM, including the remuneration committee having more frequent discussions and regular dialogue with shareholders.

VOLKSWAGEN is the second largest global automaker

Call with Alexander Hunger (Investor Relations Manager: Equity and ESG) and Ulrich Hauswaldt (Investor Relations Manager: Equity and Debt)

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

Environmental and governance issues formed an integral part of our internal discussions on Volkswagen and we therefore set up this initial meeting with the company to address the key risks and opportunities identified.

We discussed the topic of electric vehicles (EVs) in detail given their importance for the company's overall strategy. We focused on the ambition for EVs within the company, the plans it has in place to meet internal targets and emissions regulations, and how remuneration and company culture is aligned to enable the long-term transition. Volkswagen detailed the targets it has set for vehicle production, the key partnerships it is establishing, how internal resources and investments are being allocated between the EV and traditional internal combustion engine (ICE) businesses, including re-skilling employees, and the commitment the company has made to not launch any ICE models in developed markets beyond 2026 (in line with the goals of the Paris Agreement).

In light of reports that the company is likely to miss the 2020 EU emission regulation targets and be fined, we asked how management are thinking about the trade-off between hitting emissions targets and profitability. The company explained that the miss is the result of set-backs it has encountered in EV production due to battery supply. This has been the result of the covid-19 pandemic and the company reiterated that it expects to be within 1% of the requirements, and that it is more positive on the outlook for meeting the 2021 targets. Whilst acknowledging the challenges faced in 2020, we impressed upon the company the non-financial costs of missing emissions targets and encouraged them not to underweight these costs when planning production.

Given the firm's EV strategy and targets, we asked how this is linked to executive remuneration and encouraged transparency in disclosing this information to shareholders. The company explained that it plans to link executive remuneration with ESG factors and to provide improved disclosure of this. We will monitor progress on this going forward.

The second theme we focused on was 'Dieselgate' and the corporate governance implications. We discussed how the culture at Volkswagen has changed since Dieselgate and what initiatives have been put in place, both top-down and bottom-up. The company explained the evolution that has been necessary for its long-term sustainability, such as a board-level position for integrity and legal affairs, which encourages a 'speak up culture' across the business. On board structure, we raised concerns on the independence of the audit committee, given the length of tenure of two of the committee members and the fact that a controlling shareholder is also the Chair. The company acknowledged these issues, including the limitations of the dual board structure, and assured us that this is being reviewed internally. We will continue to engage on this topic.

YARA is a global fertiliser and crop nutrition company based in Norway

Conference call with Svein Tore Holsether (CEO), Lars Røsæg (CFO) and other executives

Issue: Environmental, governance – strategy and capital structure, sustainability strategy

Over several meetings we discussed the company's strategy, including re-positioning the business through the divestment of non-core assets and improving its capital allocation to deliver value to shareholders. We discussed the advantages of reducing exposure to fertiliser production given the high emissions and capital intensity. We also discussed the benefits of better communicating the company's environmental initiatives. We believe that the company's sustainability strategy, which aims to reduce the environmental impact across the whole food production value chain, is forward looking and sensible, but not well understood by investors.

In light of our discussions, the company announced in early 2020 the divestment of its non-core minority investment in a Qatar fertiliser producer. It is also holding an investor seminar day in December 2020 focused on its ESG strategy in order to improve disclosure and transparency. In addition, we are encouraged by how the company has limited capital expenditure to strategically important and value creating projects allowing the company to initiate a share buyback and pay a special dividend.

Contact us

FRANZISKA JAHN-MADELL
Director, Responsible Investment

fjahn-madell@ruffer.co.uk
+44 (0)20 7963 8200

ALEXIA PALACIOS
Analyst, Responsible Investment

apalacios@ruffer.co.uk
+44 (0)20 7963 8228

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