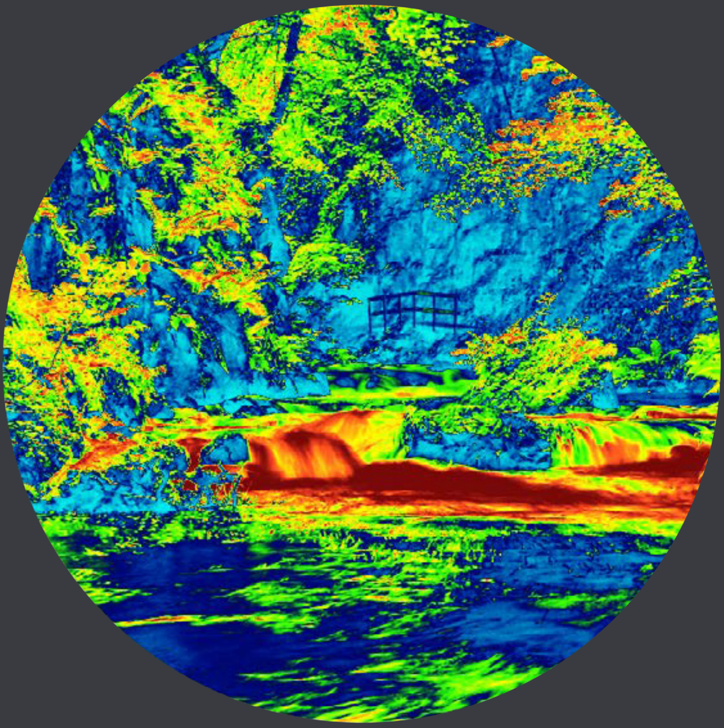
Stewardship activities



Q3 2021

BARCLAYS

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

Meeting with Nigel Higgins (Chair of the Board), Stephen Shapiro (Group General Counsel) and James Ankers (ESG Investor Relations Director)

Issues: Environmental and governance – climate change and board structure

This was our first meeting with the Chairman and was arranged following the 2021 Annual General Meeting (AGM) 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. 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 how they aim to take these forward.

We discussed the financing of certain sectors, where 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 was an initial, exploratory meeting and we intend to continue our engagement including through involvement in future discussions on setting additional targets and further refining climate change policies later in the year.

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

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

Issues: Social and governance – business practices and board structure

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 are expected to be released by the end of September. 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 will be continuing our engagement with the new CEO, Kei Uruma, in November.

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.

Meeting with Masahisa Takahashi (Investor Relations)

Issues: Environmental and governance – climate change, environmental reporting, low-carbon transition and remuneration

The purpose of this meeting was to discuss the execution of MUFG's climate transition plans in the context of market developments, and to ensure alignment throughout the company's lending and investment activities with its a 1.5°C target by 2050.

We discussed our vote against a shareholder resolution at the most recent AGM (22% votes for) where we voted against a proposal to include climate transition targets in the company's Articles of Association. We felt the technical aspects of amending the articles of association were unusual and restrictive. We started by asking about MUFG's existing 2030 and 2050 targets and their plans for executing on these and making them more comprehensive. By way of background, in May, MUFG joined the industry-led, UN-convened Net-Zero Banking Alliance to demonstrate its commitment to aligning its lending and investment portfolios with net-zero emissions by 2050. MUFG confirmed it is now required to set 2030 emissions reductions targets and will publish these by the end of fiscal 2022. We acknowledged this is a considerable amount of time and urged the company to disclose these targets to investors as soon as they are available. We communicated to the company we would vote for a resolution with climate transition targets at the next AGM if no further action was taken by the company.

MUFG has also announced it intends to be net-zero on Scope 1 and 2 emissions by 2030 and Scope 3 emissions by 2050. In order to achieve this, it will increase sustainable finance projects and reduce its exposure to carbon intensive sectors in its portfolio. While MUFG has a process to identify climate transition related opportunities in areas of the business such as technology, it does not yet have a road map to reduce emissions in the loan book, but confirmed this is under review.

On data disclosure and reporting, MUFG has declared its support of relevant recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and is now committed to improving its reporting and scenario analysis. For example, it has been working on a 1.5°C scenario analysis, the results of which have so far only been published internally. The company acknowledged progress on climate change in

Japan has been slow, so there is a need for companies to catch up.

On ensuring adequate resource and accountability, the company has now appointed a Chief Sustainability Officer. The role has been assumed by the Chief Strategy Officer, but we explained having a dedicated Sustainability Officer could be more effective, which the company has taken on board. Currently, sustainability-linked elements contribute a very small proportion of executive remuneration, but the company intends to expand this going forward.

We intend to meet the new Chief Sustainability Officer towards the end of the year, following the release of MUFG's second Sustainability Report and will continue to engage with the company on these issues and monitor its progress.

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

Meeting with Hajime Omura (Head of Investor Relations)

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, 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.

THE UK FINANCIAL CONDUCT AUTHORITY (FCA) is the conduct regulator for nearly 60,000 financial services firms and financial markets in the UK.

Meeting with Mark Manning (Technical Specialist, Sustainable Finance and Stewardship), Federico Cellurale, Louisa Chender

Issues: Environment, Social and Governance (ESG) regulation

A meeting to discuss the FCA's recently proposed sustainable finance and climate disclosure regulations. 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.

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