Stewardship Report

FOR THE YEAR ENDING 31 DECEMBER 2022

About Ruffer

Ruffer manages 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. If we keep doing our job well, we will protect our clients' capital – and increase its real value.

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 PUTS CLIENTS FIRST

We take our ownership rights and stewardship responsibilities seriously. We believe this is an important part of our duty to our clients, the expectations of our regulator and contributes to our organisational culture. The challenges and expectations of stewardship activities are rising. We see this as an opportunity to further prioritise stewardship and responsible investment activities for the assets we manage on behalf of our clients and investors.

In 2022, we were pleased to retain our signatory status to the UK Stewardship Code, which sets high standards for asset managers, asset owners and service providers. This report represents our updated response to the code, records our stewardship activities for the 2022 calendar year and outlines our early steps on the path to Net Zero. Throughout this report, we show how our policy and approach aligns with the definition and spirit of stewardship within the code.

We became a signatory to the Net Zero Asset Managers initiative (NZAM) in early 2022. We have a role to play in understanding and investing through the energy transition, as fiduciaries and stewards of our clients' assets. The ambition is to align our in-scope assets, which we define as listed equities and credit securities, with Net Zero greenhouse gas emissions by 2050 or sooner. During the year, we formalised a strategy to implement this commitment, including developing our analytical approach and setting interim 2030 alignment and engagement targets. These targe were approved by the Institutional Investors Group on Climate Change in April 20 These targets will be integral to our company analysis and stewardship activities in 2023 and beyond.

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
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
Signatories' governance, resources and incentives support stewardship.	2
Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.	3
Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.	4
Signatories review their policies, assure their processes and assess the effectiveness of their activities.	5
Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.	6
Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.	7
Signatories monitor and hold to account managers and/or service providers.	8
Signatories engage with issuers to maintain or enhance the value of assets.	9
Signatories, where necessary, participate in collaborative engagement to influence issuers.	10
Signatories, where necessary, escalate stewardship activities to influence issuers.	11
Signatories actively exercise their rights and responsibilities.	12

These 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

Executive summary

WHY STEWARDSHIP IS IMPORTANT AT RUFFER

Our aim at Ruffer is to deliver consistent positive returns – whatever happens in financial markets.

We are committed to being good stewards of our clients' assets to help us achieve this aim. We believe stewardship activities can lead to lasting and meaningful change, resulting in better long-term outcomes for our clients and other stakeholders.

WHAT WE ACHIEVED IN 2022

We had set priorities to continue to improve our approach to integration and stewardship and develop a robust and thoughtful climate strategy, and we made progress in each of these areas.

On integration, we widened the scope and consistency of our environmental, social and governance (ESG) analysis, evolving our research process to include completion of a tear sheet by the research director or analyst. This process seeks to ensure that ESG considerations which may be material to the investment case are actively considered alongside fundamental analysis. One example where this influenced our investment decision making was Veolia (page 28).

On stewardship, we continued to co-lead the Climate Action 100+ group engaging with ArcelorMittal (page 48) and had productive engagements with Ryanair (page 33) and Mitsubishi UFJ Group (page 50) on climate change, with Shimadzu (page 59) on workforce diversity and with Tokio Marine (page 60) on board structure.

We recruited further people at both senior and analyst levels in the responsible investment team. In the second half of 2022, Simon Mountain, a Partner in the Research team, was appointed interim Head of Responsible Investment.

We combined our disparate RI and ESG policies into a single, externally facing document, the Stewardship and Responsible Investment Policy. This accompanied an internal document which seeks to clarify and ensure the consistency of the key messages communicated to clients on our stewardship and RI approach.

We launched an intranet-based technology solution to better capture progress on engagement activities, enabling more comprehensive oversight and monitoring across Ruffer.

We developed a technology solution to capture, store and process metrics relating to NZAM implementation.

A working group from across Ruffer formed to develop an analytical approach for and a narrative to explain our commitment to NZAM, given that Ruffer is an unconstrained, active multi-asset-class investment manager (page 29). When setting our NZAM targets, our focus has been on supporting real-world emissions reduction, the ability to capture transition opportunities and a strong stewardship programme.

OUR APPROACH TO NZAM PRIORITISES THREE KEY TARGETS

1. **ALIGNMENT** – 80% of the assets in scope[1] to be Net Zero aligned, or in the process of aligning, by 2030
2. **ENGAGEMENT** – by 2025, at least 70% of financed emissions in material sectors to be either Net Zero, aligned with a Net Zero pathway or the subject of stewardship action, rising to 90% by 2030
3. **SHORT-TERM EMISSIONS REDUCTION** – a 50% reduction in portfolio emissions intensity, as measured by weighted average carbon intensity, by 2030, which crucially will be rebased to the portfolio at any one time to prevent achievement through portfolio optimisation and instead emphasise real-world emissions reductions

In 2023, we will focus on the implementation of our climate strategy, which is reflected in our priorities.

HOW WE HAVE RESPONDED TO PREVIOUS FEEDBACK FROM THE FINANCIAL REPORTING COUNCIL (FRC) ON OUR RESPONSE TO THE UK STEWARDSHIP CODE

We have welcomed the feedback from the FRC on our 2020 and 2021 Stewardship Reports. We have considered this feedback carefully and have sought to improve our reporting in response. In 2021, we provided additional information on our approach to managing conflicts of interest, particularly relating to stewardship, and an assessment of our effectiveness in identifying and responding to market-wide and systemic risks and promoting well-functioning financial markets. In this report, we have focused on improving the reporting of our voting case studies (page 83), adding context and including the outcome of the votes, where this is possible. We will continue to evolve our reporting to reflect feedback from both the FRC and clients.

1 In scope assets are the listed equity and corporate bond (credit) components of Ruffer's assets under management (AUM). Listed equity has historically ranged between 15% and 60% of Ruffer's total AUM. Corporate bond asset allocation is minimal.

OUR PRIORITIES FOR 2023

At the beginning of 2023, the Ruffer Executive Committee approved a responsible investment direction document outlining our strategic focus and articulating the case for RI. As part of this, we have set ourselves priorities for the year ahead. These cover integration, stewardship and climate.

We continue to deepen the integration of ESG factors into investment research and decision making. This will include embedding our proprietary approach to climate risk and opportunity into our investment process and reporting on the progress we have made on our NZAM commitments. We are also working to capture examples of ESG factors which have demonstrably influenced investment decisions.

Whilst engagement is a core element of our RI and stewardship approach, feedback from clients, the industry and the regulator suggest engagement must be more focused. Ideally, objectives will be established and performance against these objectives monitored, and engagement should be on issues covering the ESG spectrum. Hence, our approach to engagement is evolving. Firstly, we argue that engagement can be to gather additional information to either reinforce or weaken our investment conviction. Secondly, engagement may be an approach to create change (though we are cognisant that Ruffer is only one voice amongst many). We will dedicate additional time and resources to plan engagement activities, including defining the outcomes of engagements and documenting the topics addressed, progress against established targets and client reporting.

We will update our internal voting guidelines to meet evolving governance expectations and provide our clients with greater insight on the thought process for our voting decisions. In 2023, reflecting wider governance enhancements at Ruffer, the Responsible Investment Committee will be succeeded by the Oversight & Control Committee (OCC), with a proposed Responsible Investment Council (RIC) to be formed. The OCC will be a formal sub-committee of the Executive Committee, whilst the RIC will have voting members drawn from the Ruffer partnership, supported by management from across the Firm as required.

In relation to climate risk and opportunity, we are preparing our systems and processes to ensure compliance with Phase 2 of the Task Force on Climate-related Financial Disclosures (TCFD) regulation from the Financial Conduct Authority (FCA) – (PS21/24: Enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers) – which requires publication of the relevant TCFD reports by June 2024.

Purposeful investing

OUR PURPOSE

Our aim is to deliver consistent positive returns – whatever happens in 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 28 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

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

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

Whether it is climate change or indigenous rights, diversity, equity 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, our environment and society.

At Ruffer, we endorse the FRC's definition of stewardship in the UK Stewardship Code 2020 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."

2 UK Stewardship Code 2020, p4

HOW RUFFER SUPPORTS EFFECTIVE STEWARDSHIP

Stewardship activities are carried out by members of the responsible investment and research teams, sometimes with the support of RI specialists from our client-facing teams.

Ruffer has a collaborative research process, with ESG analysis forming a part of our fundamental analysis. The firm has a sizeable in-house research team, which includes the RI team. Stewardship activities are sometimes also conducted by RI specialists from our client-facing teams, who partner with members of the RI and research teams. More details of this can be found in the research methodology section on page 25.

Our ESG analysis informs how we conduct our stewardship activities and the tools we employ to deliver on them. What we elect to do is informed by discussions between the RI team, research analysts and RI specialists and, where necessary, other investment or research directors. This is an important part of the process as it ensures our engagement and voting activities are integrated into our investment monitoring and oversight. This subsequently informs our investment decision-making – be that to buy, sell or hold. We are committed to being good stewards of our clients' assets as we believe this contributes to improved investment performance.

Research analysts have primary responsibility for considering ESG risks and opportunities, with support from the RI team and RI specialists, with an enhanced ESG due diligence analysis required for the most material or potentially contentious investments. Our Responsible Investment Committee provides oversight for all RI activities. More details on this can be found in the section on how we govern RI and stewardship on page 90.

WHAT IS A RESPONSIBLE INVESTMENT SPECIALIST (RI SPECIALIST)?

An RI 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

- to support research analysts with additional ESG analyses
- to support client-facing staff in building knowledge and confidence to discuss ESG issues with clients and investors.

It is a voluntary role, with a formal application process and the specialist's contribution is recognised in the annual performance review. We provide an in-house training programme supplemented by external education resources to establish, maintain and grow ESG knowledge, skills and experience.

HOW WE ADDRESS THE NEEDS OF OUR CLIENTS[2]

Client service is at the heart of what we do at Ruffer.

Ruffer's clients range from private clients to charities and pension funds. Most of our clients are domiciled in the UK, although our international client base accounts for a growing proportion. The breakdown of our assets under management by client type and by region is shown opposite.

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 listed equities, including exchange-traded funds (ETFs).

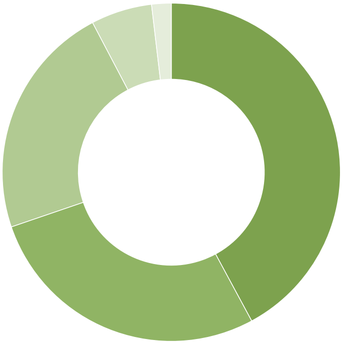
The protective assets include currencies, fixed income (credit and conventional bonds) and derivatives (including futures, interest rate swaps, equity options and credit default swaps).

We also have inflation-protection assets, typically a combination of inflation-linked bonds and exposure to gold and gold equities.

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.

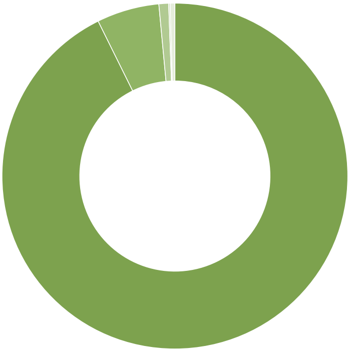
2 'Client' is used to denote client, client fund or investor throughout this report.

Assets under management as at 31 December 2022 (£26.3 billion)



	£M	%
PRIVATE CLIENTS	7,385	28
PENSION FUNDS	6,746	26
WEALTH MANAGERS	4,735	18
OTHER INSTITUTIONAL	3,150	12
FINANCIAL PLANNERS	2,144	8
CHARITIES	1,566	6
RETAIL	615	2

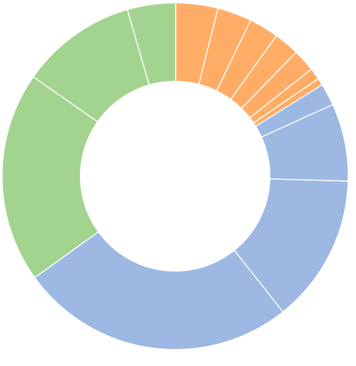
Geographic distribution of clients



	£M	%
UK	20,229	76.8
EMEA	4,476	17.0
ASIA PACIFIC	1,000	3.8
NORTH AMERICA	473	1.8
OTHER[3]	164	0.6

Source: Ruffer LLP. Includes nominee accounts with a number of underlying investors or pooled accounts via third party platforms

Asset allocation at 31 December 2022



INFLATION	%
UK INDEX-LINKED GILTS	19.6
NON-UK INDEX-LINKED	10.8
GOLD EXPOSURE AND GOLD EQUITIES	4.5
PROTECTION STRATEGIES AND CASH	
FIXED INTEREST	25.8
CASH	14.0
ILLIQUID STRATEGIES	7.2
DERIVATIVES	2.2
GROWTH	
UK EQUITIES	3.9
COMMODITY EXPOSURE	3.1
JAPAN EQUITIES	2.8
NORTH AMERICA EQUITIES	2.3
EUROPE EQUITIES	2.2
ASIA EX JAPAN EQUITIES	1.2
OTHER EQUITIES	0.4

Source: Ruffer LLP, based on the Ruffer representative portfolio which is a segregated portfolio of £1m set up in 1995 and follows Ruffer's investment approach

HOW WE COMMUNICATE WITH CLIENTS AND INVESTORS 6

At Ruffer, clients are our priority. We strive to maintain a transparent, responsive dialogue with clients to ensure we meet their needs. We provide responsible investment reports quarterly, along with bespoke reporting where required.

This is achieved through a variety of channels.

We conduct stewardship activities on our clients' behalf. We provide an overview of recent engagement activities in our quarterly Responsible Investment Report, which is available to all clients. This is in addition to standard portfolio updates and valuation reports. Our stewardship activities are discussed in 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 publish a report responding to the TCFD recommendations. We produce voting data and significant vote information in the Pensions and Lifetime Savings Association (PLSA) Implementation Statement template on request.

We recently published the fifth annual edition of The Ruffer Review, a collection of thoughts and ideas from across the firm. We invite a guest contributor to author a topical article. The Review is designed to be wide-ranging and eclectic. Articles span from our investment outlook (written by Chief Investment Officer Henry Maxey) to themes in responsible investment. It is intended both to educate readers and to stimulate discussion.

> "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."

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

At Ruffer, we greatly value feedback from clients and other stakeholders. We receive ad hoc feedback in client meetings and evolve our reporting to best meet their needs, such as changing the structure of our quarterly Responsible Investment Report in 2022. Any feedback is considered and, where deemed additive, incorporated into our process. These discussions inform our reporting efforts, engagement activities and proxy voting.

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 suggested by clients, which potentially inform our stewardship strategy, including voting activity. At clients' requests, we will provide voting outcomes 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 72.

We participate in asset (investment) consultant-led due diligence surveys and respond to stakeholder questionnaires, whose results help to inform our approach to stewardship and RI. We use the insight and feedback to review our practices and look at areas for improvement.

Download this year's Ruffer Review

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.

Ruffer is a Limited Liability Partnership (LLP). This structure aligns our interests with those of our clients. Our senior staff share in the 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 between 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 are put before the interests of Ruffer, its subsidiaries and its staff.

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

Potential conflicts of interest

We have in the table opposite below the conflicts that might arise during the management of a client's portfolio and how we will try and mitigate or manage the conflict.

<table>
<tr><th>Potential conflicts</th><th>How we would manage the conflict</th></tr>
<tr><td>Ruffer acts as investment manager for another client or clients with interests in investments in relation to which Ruffer provides investment advice or may effect transactions for the portfolio.</td><td rowspan="4">Ruffer will always take appropriate steps to ensure fair treatment for the client by disregarding any interest it may have when advising you or dealing on the client's behalf, and by maintaining procedures preventing members of staff from gaining an unfair advantage from the holding of, advice in relation to, or dealing in investments on behalf of its clients.</td></tr>
<tr><td>Ruffer itself, or Ruffer staff members, may have an interest in investments in which Ruffer may provide investment advice or effect transactions for the portfolio.</td></tr>
<tr><td>The portfolio contains securities where a Ruffer staff member is a director or other officer of the issuer.</td></tr>
<tr><td>The transaction or investment advice is in relation to a collective investment scheme or investment trust whose assets are managed by Ruffer or one of its subsidiaries.</td></tr>
</table>

Recording of conflicts

The arrangements in place to manage these types of conflicts, and other conflicts that may arise, are set out in the Conflicts of Interest Matrix (COI Matrix). The COI Matrix contains the generic potential conflict scenarios and cross references these to the relevant Ruffer policies and procedures that have been put in place to prevent or manage them. It makes clear whether the conflicts and potential conflicts apply to all Ruffer entities or to select Ruffer entities. The COI Matrix is prepared and maintained by Compliance, with input from relevant business areas, including the Executive Committee, and Ruffer LLP subsidiaries.

Disclosure of conflicts

If arrangements made by Ruffer to prevent conflicts of interest from adversely affecting the interests of clients 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 to the client the general nature and sources of conflicts of interest, and the steps we take to mitigate them, before undertaking business for that client.

Identifying and managing conflicts of interest

Ruffer has put in place various measures to minimise the risk of conflicts of interest arising, including through stewardship activities.

1. An inside information policy is maintained so that a Relevant Person can inform Compliance of any inside information they may hold on a company. This company is added to the Stop List until 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. Remuneration policies and practices are consistent with and encourage sound and effective risk management, through measures to avoid conflicts of interest, promoting responsible business conduct, risk awareness and prudent risk taking.
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 alternative investment fund (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.

At the time of writing, Ruffer LLP confirms there were no examples of actual or perceived conflict of interest relating to stewardship and responsible investment for the reporting period.

OUR APPROACH TO ETHICAL INVESTMENT RESTRICTIONS

Ruffer offers a pooled fund for charities, which has a responsible investment policy incorporating ethical restrictions. This is designed to meet the needs of a wide spectrum of charity investors. Ruffer offers clients with segregated portfolios the opportunity to incorporate their specific ethical values and beliefs into our investment approach. We have been managing portfolios with bespoke ethical investment policies since 2006. The RI team works closely with our client-facing teams to ensure ethical investment policies are implemented so that clients' restrictions are executed accurately. Subject to commerciality, we will work with clients to find a bespoke solution if their desired ethical investment restrictions impair our ability to deliver upon Ruffer's investment objectives. We use a third-party ethical screening and research provider, which offers a wide range of exclusion criteria.

As at 31 December 2022, we managed assets 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 assets 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 2022

We continue to evolve and improve our approach to responsible investment and stewardship. In 2022, we targeted the following priorities.

1. Developing a robust and thoughtful Net Zero climate strategy for client portfolios and flagship funds, given that Ruffer has become a signatory to NZAM.
2. Further integrating climate risk and opportunity analysis in security selection and portfolio construction, using a repeatable, systematic and consistent methodology.
3. Widening the scope, effectiveness and rigour of our engagement plans and activities.
4. Updating and extending our internal voting guidelines to continue to meet governance expectations and provide clarity on how we vote on social and environmental resolutions.
5. Ensuring high quality ESG analysis within Ruffer through shared responsibility between research analysts and RI specialists, using a combination of peer review and feedback, formal and informal education and coaching and mentoring.

What did we achieve in 2022?

1. We developed a detailed Net Zero climate framework to deliver on our commitments as a signatory to NZAM.
2. We continued to develop a methodology to integrate climate risk and opportunity analysis into security selection and portfolio construction in a repeatable, systematic and consistent way.
3. We focused on developing an engagement tracker, which we launched in the fourth quarter of 2022, to better capture the engagement conducted by research analysts.
4. We started the process of updating and extending our internal voting guidelines, which will provide clarity on how we vote on shareholder-led social and environmental resolutions.
5. We widened the scope and consistency of our ESG analysis.

Whilst we are satisfied with what we achieved in 2022, there were a number of areas where we did not meet the objectives set out in our previous Stewardship Report.

What plans do we have for 2023?

At the beginning of 2023, the Executive Committee approved a responsible investment direction document outlining our strategic focus. We have set ourselves ambitious priorities for the year ahead, covering integration, stewardship and our climate strategy.

1. Deepening the integration of ESG factors into investment research and investment decision making.
2. Embedding our proprietary approach to climate risk and opportunity in the investment process and reporting progress on our NZAM commitments.
3. Updating proxy voting guidelines to clarify our approach to shareholder resolutions and to assist research directors and analysts to vote with clarity, credibility and consistency.
4. Improving the rigour and effectiveness of how we plan, conduct and document engagement activities.
5. Strengthening data capture so we can better demonstrate the impact of our stewardship activities and ESG insights on investment decision making.

Collaborative integration 4 7 8 9 10 11 12

ESG INTEGRATION IN OUR INVESTMENT PROCESS 8

Ruffer has one investment approach. We actively manage the Ruffer portfolio without restrictive benchmarks. We seek to integrate ESG considerations into our investment process and decision making across our client portfolios and flagship funds. Ruffer demonstrated this commitment to ESG integration by becoming a signatory to the Principles for Responsible Investment (PRI) in 2016.

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 and derivative strategies. The micro component 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 macro analysis (for example, contributing to the identification and assessment of market-wide, systemic risk and well-functioning markets) and micro analysis (such as identifying ESG strengths and weaknesses). 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 acknowledges that, as information and knowledge is acquired, our investment conviction or stewardship activities may change in response.

OUR FRAMEWORK

RESEARCH METHODOLOGY

Listed equities

As an investment manager with a relatively concentrated portfolio of equity holdings, ESG considerations represent sources both of value and of risk. As we have one investment approach and conduct our own research, we integrate these considerations into 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 with industry best practice. The micro view then provides guidance to examine the risks and opportunities of each company separately on a fundamental basis.

KEY FACTORS ANALYSED*

Market	Board and management
Competition	ESG (including Net Zero)
Business model	Valuation

* Not exhaustive and not mutually exclusive; subject to materiality to the investment case

Equity security selection

Our decision to invest in a company is based on fundamental research, which includes ESG research and analysis. The research analyst who completes the fundamental analysis integrates ESG considerations into their recommendation through completion of a basic ESG tear sheet. This tear sheet is a standardised template, partly pre-populated, used by research analysts to document their ESG analysis and show material ESG considerations considered relevant.

For material or potentially contentious investments or where Ruffer has a larger holding in absolute terms or as a proportion of issued share capital, a more extensive (enhanced) due diligence task is carried out requiring detailed analysis, documentation and consideration. This enhanced due diligence is completed collaboratively by a member of the responsible investment team or an RI specialist, alongside the security owner. This ensures a 'four eyes' independent review of issues which are possibly material to the investment case. Each assessment covers potential areas for engagement, with materiality driving our decisions on where to focus our engagement resources.

ESG considerations remain under review throughout our holding period. It is the analyst's responsibility to continue to monitor these considerations and to decide how to vote at company Annual General Meetings (AGMs) or Extraordinary General Meetings (EGMs). Our ESG analysis informs our stewardship activities, and this flows into our meetings with companies. If we identify an engagement topic or theme which is material to the investment case, we will seek to engage. Our voting decisions may flow from engagement activities, and we exercise these rights diligently using Institutional Shareholder Services (ISS) research as an input into our voting decision.

As ESG risks and opportunities evolve, they are raised both informally across the desk and more formally – for example, 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 sell a position.

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 which already manage these well. Examples include companies which are addressing issues like gender equality, water management, biodiversity risk and capital allocation.

Our ESG analysis incorporates a range of qualitative and quantitative considerations drawn from internal and external research and from formal and informal data sources. We analyse relevant company information, including annual and sustainability reports. Our primary source of ESG data, metrics and research is MSCI ESG Research (MSCI). Other sources include the Sustainability Accounting Standards Board (SASB) framework, which provides us with guidance on material issues to be considered at company level, and the Transition Pathway Initiative (TPI) and CDP (previously, the Carbon Disclosure Project), which provide important insight into carbon risk management and the transition to a Net Zero economy. In addition, 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 products or services could add value for our clients.


CLIENT FOCUS AND REPORTING
ITERATIVE INVESTMENT PROCESS
PURPOSEFUL ENGAGEMENT
OUTCOME-FOCUSED VOTING
SOVEREIGN ANALYSIS
TCFD PORTFOLIO ANALYSIS
NET ZERO STRATEGY
COLLABORATIVE INTEGRATION
QUARTERLY RESPONSIBLE INVESTMENT REPORTS
ANNUAL STEWARDSHIP REPORT
PORTFOLIOS WITH ETHICAL OVERLAY
PRI ASSESSMENT REPORTS
PORTFOLIO LEVEL CARBON METRICS REPORTING
RESPONSIBLE INVESTMENT COMMITTEE
VOTING QUORUMS
COLLABORATIVE INITIATIVES
STAKEHOLDER ENGAGEMENT
CORPORATE RESPONSIBILITY
GOVERNANCE AND THOUGHT LEADERSHIP

Examples of ESG integration into equity analysis

VEOLIA is focused on developing solutions for water, waste and energy management.

Issues: Environmental – water, waste and energy management

We can assess the impact of ESG factors by considering the potential impact on a company's cash flows or its cost of capital, two components used to calculate the value of a company. One of our core holdings, Veolia, is an example where we think the company's value is higher than the current market value, because it can generate more cash flows which will be discounted at a lower cost of capital, driven by environmental solutions. Veolia deploys practical solutions for water, waste and energy management and aims to be the benchmark company for the ecological transformation.

A lower cost of capital contributes to a higher company value. Veolia has access to discounted debt capital through issuing green bonds, instruments only accessible to companies which use the proceeds for environmentally friendly projects. We think the cost of capital could be reduced further as the market comes to fully realise that Veolia's products answer many of the most challenging environmental concerns and lowers the equity risk premium accordingly.

A key consideration when forecasting Veolia's cash flows is the value society attributes to waste management as part of a supply chain, particularly to solutions promoting the circular economy. We think the sector will take a larger share of global GDP as companies have to consider their environmental impact beyond the first order, thanks in part to increased reporting requirements, tightening regulation and increased disposal costs. Beforehand, waste was a minor cost and companies took an agnostic view as to how it was treated once it left the facility. From our conversations with companies, we sense this is rapidly changing. Corporates are engaging with Veolia to come up with more comprehensive, technologically advanced solutions. Veolia should benefit from this and become a much larger, more profitable company over time.

RUFFER'S COMMITMENT TO THE NET ZERO ASSET MANAGERS INITIATIVE

4 7

WHAT IS NZAM?

In its own words –

"NZAM is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner."

As of January 2023, there are over 300 signatories, with $60 trillion in assets under management.

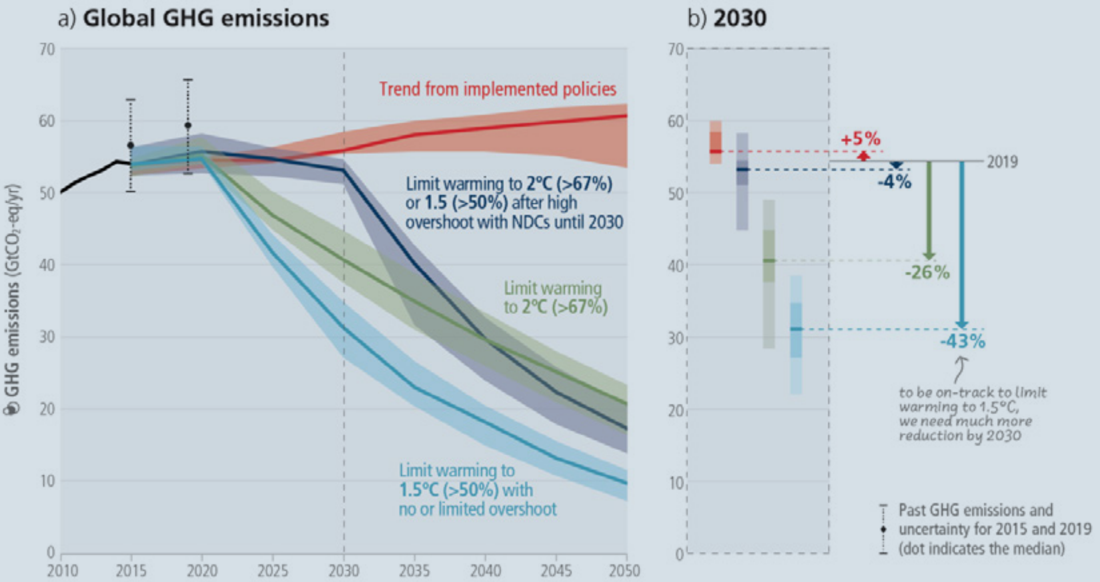
Signatories commit to targeting Net Zero portfolio emissions by 2050 or sooner, supported by interim targets consistent with a fair share of the 50% reduction in emissions required by 2030. Signatories work with their clients to achieve real economy emissions reductions.

WHY HAS RUFFER BECOME A SIGNATORY?

Our assessment of the ESG risks facing investors concludes that managing climate risk presents the greatest challenge to meeting our investment objectives. In order to protect and grow capital, we are deepening our understanding of, and engagement with, the energy transition.

FIGURE 1
GLOBAL GHG EMISSIONS OF MODELLED PATHWAYS AND PROJECTED EMISSION OUTCOMES FROM NEAR-TERM POLICY ASSESSMENTS FOR 2030

Projected global GHG emissions from NDCs announced prior to COP26 would make it likely that warming will exceed 1.5°C and also make it harder after 2030 to limit warming to below 20°C



Source: Intergovernmental Panel on Climate Change (IPCC)

Figure 1 highlights the scale of the challenge – and the pace of emissions reduction required for different pathways around the 2050 target. The pathway will not be linear, emission reductions may come in steps, and net zero does not imply temperature and other climate effects will stay within the goals of the Paris Agreement.

NZAM provides a framework for managing these risks and capturing these opportunities, a framework we can align to Ruffer's investment approach. It also requires a clear set of targets which we can use to communicate our approach to Net Zero investing and that our clients can use to assess our progress.

WHAT IS RUFFER'S APPROACH TO MEETING THE GOALS OF NZAM?

We prioritise real-world emissions reduction over portfolio emissions optimisation.

The core goal of NZAM is reducing emissions in the sectors its signatories invest in. Only through achieving this can real-world emissions be lowered in line with the goals of the Paris Agreement.

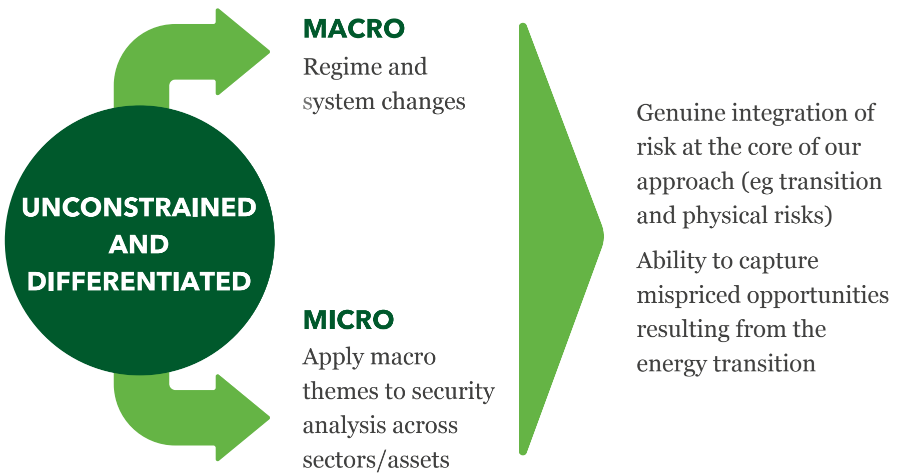
This approach is very different to building a green portfolio. Investing in a portfolio of low emission stocks and avoiding carbon intensive sectors may well achieve superficial decarbonisation within the portfolio. But it may have little or no impact on reducing real-world emissions.

All elements of the economy, including both the consumers and the producers of carbon intensive goods and services, have a role to play in reducing emissions. In Ruffer's view, real progress can be achieved only by acknowledging this and working with all sectors, even those that are hard to abate. Blanket divestment is not the answer. We must engage with companies and issuers in order to catalyse the capital flows and innovation required to decarbonise the economy.

Our edge?

The strength of Ruffer's investment approach is the combination of a top-down macro understanding of potential regime or system changes with bottom-up research into the most appropriate securities to protect against and benefit from these changes (Figure 2). The Net Zero transition will be one of the key system changes of the coming decades. Ruffer's ability to combine macro and micro lenses – alongside a strong programme of stewardship – will be crucial to navigating the risks and capturing the opportunities the transition presents.

FIGURE 2
RUFFER'S INVESTMENT MODEL WITH RESPECT TO CLIMATE RISK AND OPPORTUNITY



Equally crucial, our approach is unconstrained. This means we can make investment decisions which reflect our assessment of the degree to which climate risk is reflected in a security's valuation. We can also explore different ways of protecting financial capital from climate risk, whilst capitalising on underappreciated drivers of real-world decarbonisation.

Done well, this can help to manage climate risk in our portfolio, support the energy transition and deliver returns for our investors.

CASE STUDY: RYANAIR

Achieving these goals will require a different lens through which to judge investments. One which looks beyond headline carbon intensity metrics or targets and analyses companies' willingness – and ability – to meet the needs of the energy transition. This approach can identify opportunities that would be overlooked by an approach focused solely on a linear reduction in headline portfolio emissions.

One example of how we seek to analyse and then engage with a company on its Net Zero plans is Ryanair.

Our analysis of and engagement with Ryanair (page 52) led us to a different view. We believe that the aviation industry currently has a strong transition incentive but limited green solutions, represented on Figure 3 by high customer demand but low company capabilities. Within the sector, Ryanair is in our view amongst the best placed to address the required transition (Figure 4) – a measure sometimes ignored when focusing solely on a company's existing emissions or targets.

Our engagement will focus on ensuring Ryanair embraces its leadership role in the aviation industry's transition and does more to incentivise green innovation in the sector's ecosystem – that is, shift itself firmly up the y axis of Figure 4 in order to help propel the aviation industry along the x axis of Figure 3.

This could help to transform Ryanair from supposed climate villain to transition hero. It could also help us meet our goals of furthering the energy transition and managing climate risk, whilst profiting should the market reward the company's success.

FIGURE 3
INDUSTRY TRANSITION ASSESSMENT

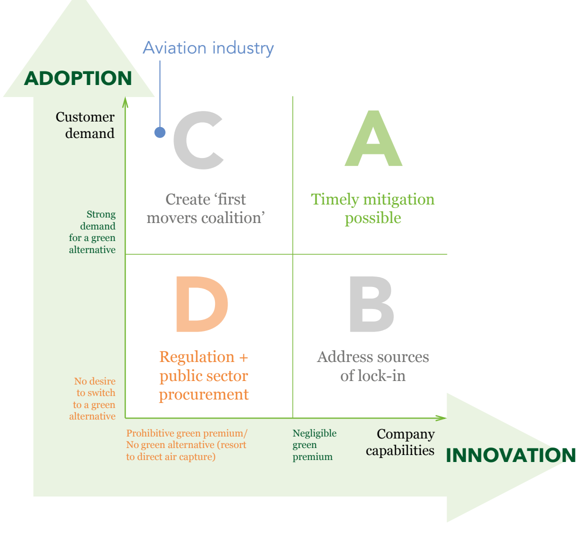
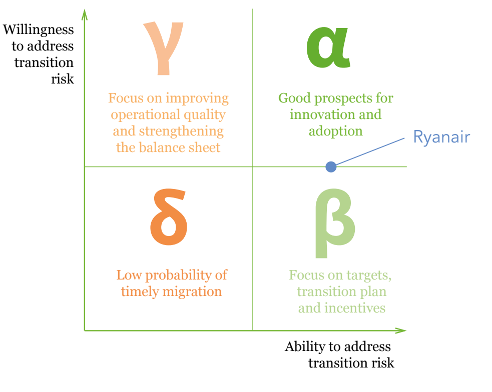


FIGURE 4
COMPANY'S TRANSITION PROSPECTS



WHAT THIS MEANS FOR OUR TARGETS

When setting our NZAM targets, we have focused on ensuring they achieve real-world emissions reduction and the ability to capture underappreciated transition opportunities, alongside our strong programme of engagement.

This has led us to prioritise three key targets.

1. **ALIGNMENT** – 80% of the assets in scope to be Net Zero aligned, or in the process of aligning, by 2030
2. **ENGAGEMENT** – by 2025, at least 70% of financed emissions in material sectors to be either Net Zero aligned or the subject of stewardship action, with that figure rising to 90% by 2030
3. **SHORT-TERM EMISSIONS REDUCTION** – a 50% reduction in portfolio emissions intensity by 2030, which crucially will be rebased to the portfolio at any given time to prevent achievement through portfolio optimisation and focus instead on real-world emissions reductions

The prioritisation of the alignment target keeps our focus on whether the companies we hold are themselves aligning with Net Zero emissions, rather than a simple focus on reducing the emissions of the portfolio (which will change with asset allocation). Complementing this with an engagement target means our stewardship activities will be deployed to hold companies accountable for progress towards their real-world emissions reduction plans.

In our view, achieving our alignment and engagement goals should result in short-term emissions reductions. Rebasing our emissions reduction target means that it assesses the emissions reduction performance of the portfolio we are holding at any moment in time. This is crucial to account for our active approach, to prevent portfolio optimisation through simply selling the highest emitting holdings and to ensure we can invest in best-in-class companies that are driving the energy transition, even if their emissions starting point is higher.

Figure 5 gives the complete list of Ruffer's targets we will be reporting against as part of our NZAM commitment.

FIGURE 5
OUR NZAM TARGETS

#	TARGET NAME	PROPOSED TARGET
1	% of assets aligning to transition pathway	80% of assets in scope considered Net Zero, aligned, or aligning by 2030
2	Engagement threshold	By 2025, at least 70% of financed emissions in material sectors will be either Net Zero, aligned with Net Zero, or the subject of engagement and stewardship actions. This threshold will increase to at least 90% by 2030 at the latest
3	2030 emissions target	A 50% reduction in emissions intensity, adjusting the baseline to reflect shifts in asset allocation
4	% of assets in scope	Equities and corporate bonds aggregated across Ruffer mandates, which have historically ranged between 15% and 60% of Ruffer's total AUM
5	Methodology used	PAII Net Zero Investment Framework, including SBTi, TPI and proprietary Ruffer methodologies for the 'assets aligning' component
6	Scope of emissions included	• Scope 1 and 2 included • Scope 3 not included (for targets 2 and 3), but may be considered in the assessment of transition risk and alignment and factored into engagement
7	Fossil fuel policy	Unconstrained: a focus on real world emissions reduction which includes engagement with the hard-to-abate sectors
8	Climate solutions target	A focus on nascent climate solutions, recognising that many are to be found in difficult sectors not captured by the taxonomy
9	Emissions from Ruffer LLP operations	50% reduction in carbon emissions intensity from operations by 2030 (including Scope 3 upstream)

SOVEREIGN BONDS 7

Sovereign bonds play a crucial role in our clients' portfolios. Holding a bond does not confer proportional ownership of the issuer (whereas holding an equity does). In simple terms, a bond is a loan, a promise to repay principal and interest. We are not benchmark constrained, so we can alter our duration should our view differ from the market.

Integrating ESG into fixed income, particularly sovereign bonds, presents greater challenges 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 consider ESG at the issuer level. That is, an ESG ranking becomes an input, alongside fundamental analyses, into country weight, security selection and portfolio construction.

Sovereign bond security selection

We have established a framework to assess the underlying ESG risks in our sovereign bond holdings which sits alongside and complements our traditional fundamental analysis of debt instruments. This framework helps us to identify and assess sovereign ESG risks, consisting of country-level indicators to gauge each sovereign issuer's exposure. It is impossible to perfectly model every individual factor, given data availability and other limitations. Our framework includes a wide-ranging set of measures. We analyse environmental inputs, including renewable energy usage and 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 an ESG 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 further research. To avoid over-penalising developing countries (given their limited resources for improvement), we assess the evolution of a country's ESG profile over time, to understand which governments have been taking actions and making improvements.

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 an indicator of the different sustainability risks sovereign debt issuers face at a time of growing scrutiny and (financial) pressure on governments. This information should enhance our investment decision making and risk management of portfolios and may assist us in identifying key areas for engagement with policymakers.

Our engagement response

As our fixed income holdings are mainly government bonds, our direct engagement activities are limited. In recent years, we have engaged with national policymakers 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 early stages, and successful engagement outcomes are probably best measured over decades rather than years.

We also respond to policy consultations on a range of topics, primarily through industry bodies such as the Investment Association (IA) and the Personal Investment Management & Financial Advice Association (PIMFA). In 2022, we responded to the FCA's Sustainability Disclosure Requirements consultation (CP 22/20) through the IA and PIMFA. In addition, we participated in forums with the Debt Management Office, HM Treasury and the City Minister where green gilts were discussed. We gave our opinion that the focus should be on issuing more of these bonds to build out a fully functioning, and importantly distinct, market to increase their attractiveness to investors.

HOW WE APPROACH ANALYSIS OF OTHER ASSET CLASSES 7

In addition to conventional assets, we invest both directly and through specialist external managers in strategies designed to protect against an increased volatility in financial markets (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. More recently, we have taken positions in exchange-traded commodities, which are in effect futures positions on commodities.

Using 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. We currently do not consider ESG factors when investing in derivatives. We cannot take an active ownership role in the management of these instruments and securities. That is because we mainly hold interests in indices, rates or currencies which may not directly relate to any one company, commodity, issuer or security.

Impactful ownership

4 9 10 11 12

FOCUSED ENGAGEMENT

9 10

Engagement is an effective tool for achieving lasting and meaningful change. This may result in superior outcomes and returns for our clients, as well as delivering benefits to stakeholders, the environment and society.

In 2022, we evolved our engagement framework to distinguish between standard and detailed engagement.

- Standard engagement involves discussions with companies to obtain more information on a specific issue and press for change, as necessary. These engagements are usually led by the research analysts with support from the RI team or specialists where required.
- Detailed engagement involves the development of an engagement plan, which may include clear objectives and timeframes. It aims to influence the activities of a company where our analysis has identified risks or opportunities and we believe we can achieve lasting and meaningful change. These engagements are usually led by the RI team, working collaboratively with the research analysts.

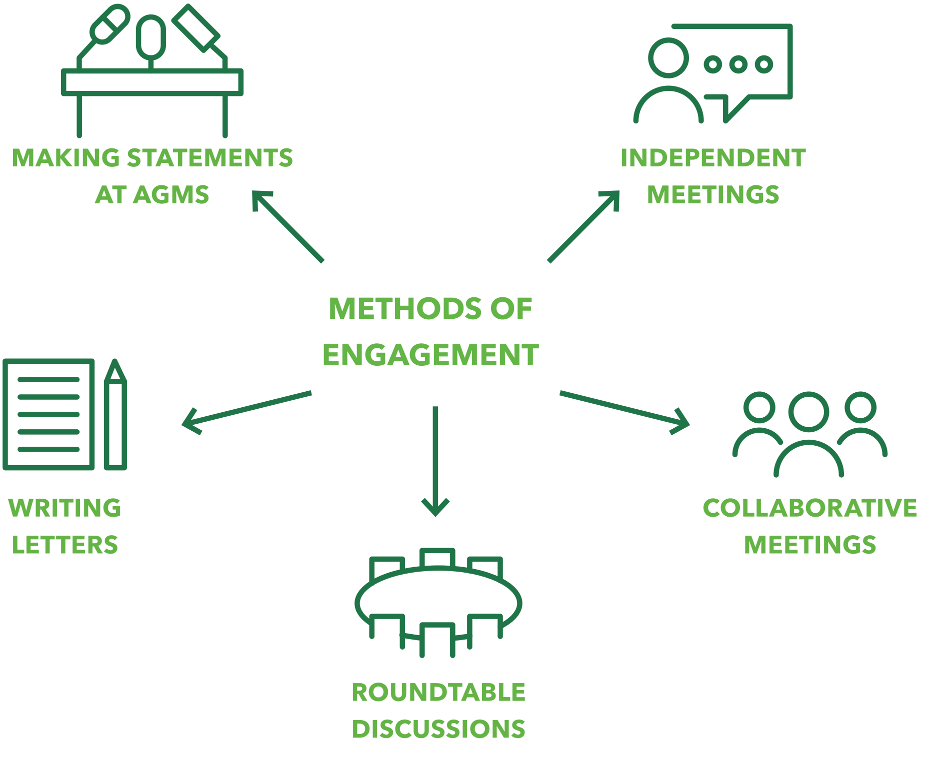
We consider this collegiate approach to engagement to be particularly powerful. It enables detailed, well-informed discussions with companies on issues we deem to be material, helping to build relationships and communicate the need for change.

We will engage independently or through collaborative initiatives with other investors who share our 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 a single, global investment strategy, we apply our approach to engagement across regions.

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. Whilst it is practical to consider the significance of our holdings in terms of issued share capital or as a percentage of our AUM, engagement or escalation are not restricted to our major holdings.

Most of our engagements take place through direct meetings and calls between Ruffer and investor relations teams, sustainability teams, company management or non-executive directors. In some cases, this complements collaborative engagement. We may also occasionally write letters to company management or board members and attend 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.

In 2022, we developed a formal engagement tracker tool to record our engagement activities. This tool is both a supplement to the detailed engagement notes recorded as part of engagement and enables research analysts to quickly log their ESG-related engagement activities. In 2023, we will look at ways of measuring the outcomes of these activities. Whilst we endeavour to report on our engagement activities, in some situations it is not appropriate, as discussions may be ongoing or we consider the engagement confidential.



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 outcome we seek. 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. In 2022, our collaborative engagement was mainly through the Institutional Investors Group on Climate Change (IIGCC) and Climate Action 100+. On the latter, Ruffer remained co-lead of the ArcelorMittal collaborative engagement group. 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 44.

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 options 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 on the company's progress towards our engagement objectives, other developments or shifting priorities. The internal governance of escalation, including the decision to vote against management, initially involves informal discussion between the RI team and the research analyst, and may also involve other investment directors and research directors. If the issue develops to the point of collaborative engagement, co-filing or filing shareholder resolutions or other public disclosure, the RI team and research analyst may seek approval from the Research Management Group, the Responsible Investment Committee or the Executive Committee, 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.

OUR TOOLBOX OF TACTICS

- DIVESTMENT
- SENDING PRIVATE OR PUBLIC LETTERS TO THE COMPANY
- CO-FILING A SHAREHOLDER RESOLUTION
- MAKING STATEMENTS AT AGMS
- WITHHOLDING SUPPORT OR VOTING AGAINST
- COLLABORATION WITH OTHER INVESTORS
- SPECIFIC AND TARGETED MEETINGS

STEWARDSHIP THEMES REFLECTING MARKET-WIDE AND SYSTEMIC RISKS

Our engagement efforts in 2022 continued to focus on similar themes to 2021.

In 2022, we focused our engagements on the themes of climate change, Japanese corporate governance, business practices and strategy, and capital allocation. 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.

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 analysis and ongoing dialogue, as well as 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.

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.

Engagement summary

Ruffer believes that investor engagement is an effective tool to achieve meaningful change, and we are committed to engaging on a wide range of topics with companies in which our clients' assets are invested.

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

RESOURCE AND WASTE MANAGEMENT

- Effective management of resources such as water and energy
- Effective management of waste

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 ENGAGEMENT AND VOTING ACTIVITIES IN 2022

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

BEGINNING ECOSYSTEM ENGAGEMENT WITH RYANAIR

ENGAGING ON GENDER DIVERSITY TARGETS WITH SHIMADZU

VOTING AGAINST REMUNERATION POLICY AT BAYER

SUPPORTING SHAREHOLDER RESOLUTIONS ON SOCIAL TOPICS AT META PLATFORMS

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' capital and income. According to the Climate Action Tracker, 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 uncertainty. Therefore, new science, company responses and emerging technologies must all be considered in any investment strategy. We think achieving meaningful greenhouse gas emissions reductions in the most cost-efficient way will require new partnerships to be forged not only within, but between, industries.

We believe climate risk cannot be divested away; it must be managed like other investment risks. Climate risk manifests in three broad categories: regulatory or legal, weather-related or physical, and transition or disruption. A simple exclusion approach may lower a portfolio's carbon footprint but may neither translate to a real-world reduction in anthropogenic carbon emissions nor protect the portfolio from climate-related shocks. We believe actively managing climate risks and opportunities is the best way to protect and enhance our clients' portfolios. 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. An example of this is the outcomes of our analysis of the transition strategies of a number of American and European energy companies.

RUFFER'S 2022 TASK FORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURE REPORT

In 2022, we revised our climate-related analysis and integration. In our most recent TCFD report, we provide additional details of our approach.

At Ruffer, we are prepared to invest in emission-intensive companies and sectors where carbon emissions are difficult to abate. We do so where we see an attractive balance of investment reward versus risk or where the position provides an offset to another portfolio risk.

As an asset manager, Ruffer has determined that its exposure to climate-related risks and opportunities comes primarily through the investment of client funds. Climate risk is estimated in terms of both physical and transition risk. Climate-related opportunity is captured within the estimate of transition risk and is identified as part of our fundamental equity research. Ruffer is presently able to estimate climate risk – using the industry standard climate value at risk (CVaR) – for the equity component of the portfolio.

Whilst we acknowledge anthropogenic climate change is happening now – seen in physical effects such as excessive regional heat, wildfires and floods – these events do not necessarily translate directly into investment risk. That is, the market may misprice the potential (or actual) economic impact of climate change. If we build a view that climate risk is not managed appropriately or we observe crowded trades into securities that are considered green, renewable, clean or sustainability-aligned, we can undertake stewardship activities or shift asset allocation consistent with achieving our investment objectives.

The main categories of climate change risk are well documented. These risks are expected to impact asset classes differently, so it may be possible to diversify some, but not all, climate risk. Likewise, opportunities to manage these risks whilst generating returns from the transition to low or Net Zero anthropogenic carbon emissions will arise across asset classes.

Ruffer subscribes to MSCI's Enhanced Climate Change Metrics. This tool provides insight into transition and physical risk exposure at security and portfolio level. MSCI incorporates technological opportunities into its model, acknowledging companies may have earnings at risk from climate-related exposure but may also generate profit from low or no carbon solutions. This analysis does not extend to sovereign bonds or other securities. Opportunities are identified or clarified through bottom-up research guided by our thinking on the transition to Net Zero. It is sometimes tempting to be rigid about alignment or misalignment, but opportunities may reside within incumbent companies seeking to shift to or develop more carbon-efficient business models.

The portfolio response to these climate risks and opportunities, and the strategies used by Ruffer to actively manage the portfolio, may depend on factors such as the pathway of carbon emissions, the policy responses of governments and the actions of central banks. However, should humanity reach a climate tipping point and the unknown consequences of climate breakdown ensue, the portfolio response is difficult to predict. In any case, our role is to best position client funds to be resilient to these possible pathways or events.

OUR ENGAGEMENT RESPONSE TO CLIMATE CHANGE

Climate change remains one of our key investment and engagement themes, and we have continued our company engagements on this topic. We may engage with the boards and managements of companies that make a significant contribution to total greenhouse gas emissions. We prioritise engagement with companies that have not published a credible transition strategy, where we identify unmanaged exposure to climate risk, or where companies are involved in the transition through disruption or technological innovation. We seek to encourage companies to adapt their business models to align with the transition to a low carbon economy. Our engagements in 2022 have included companies in sectors such as banking, financial services, steel and airlines.

No sector will be able to hide from the energy transition. As an active, unconstrained manager, we have the opportunity to identify the companies likely to emerge as winners. It will be equally important to assess whether companies' decarbonisation strategies are credible, achievable and economic. We are a signatory to the NZAM initiative, which requires us to engage on this theme through 2023 and beyond.

One headwind to reducing carbon emissions is the disconnect between supply and demand. Several sectors face a stalemate between suppliers waiting for robust demand (stable regulatory settings and profit) and customers waiting for affordable solutions. With neither side willing to move first at scale, both are punished. Part of our engagement strategy is to catalyse innovation and adoption of low carbon solutions by building relationships with stakeholders across the ecosystem. Our aim is to align expectations and incentives, helping to bridge the gap and break abatement stalemates.

We believe in the power of collaborative engagement and were a founding investor signatory to Climate Action 100+. As part of this initiative, we are involved in the working groups engaging with a number of European companies. Ruffer continues to be a member of the IIGCC.

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

In 2022, Ruffer continued to co-lead the Climate Action 100+ group engaging with ArcelorMittal. Our most significant meeting was in December. There have been some changes at the company, and this discussion was an opportunity to reiterate the aims of the initiative.

The company explained how beneficial it has been for it to be part of the Energy Transition Commission (ETC), something we pushed the company to join in 2019. The ETC's most recent analysis highlights the investment required for the steel industry to achieve Net Zero emissions, cumulatively more than $5 trillion, and particularly how two thirds of this investment is needed in the enabling infrastructure. The discussion also focused on the Science Based Targets initiative (SBTi) and how the company has been working with the initiative to develop a steel sector methodology, expected in June 2023. This reflects a topic of discussion with the company over many years where we have pushed ArcelorMittal to partner with organisations that can facilitate progress across the entire sector. We also discussed the Just Transition and were encouraged to learn that the company has been developing a draft framework which includes guiding principles and a detailed methodology. On the InfluenceMap report on lobbying activity, we pushed the company to address the issues raised.

The company acknowledged that it needs to expand its reporting and committed to releasing an update to its report imminently and its next its third Climate Action report in the second quarter of 2023.

Overall, the company has continued to make progress, which has yet to be fully recognised by the Climate Action 100+ Net Zero Benchmark and InfluenceMap. We remain optimistic that this will be reflected once the company has published its third Climate Action report expected in the second quarter of 2023, though we did express our preference that this should be released ahead of the 2023 AGM to allow investors to provide feedback. We raised the possibility of a 'Say on Climate' vote at the 2023 AGM, but the company felt it would be best to wait until this report was published.

We signalled our intention to participate in the next AGM with a statement on recent progress and intend to put questions to the board covering areas which we have identified as a priority for further progress. We stressed the importance of facilitating shareholder involvement at the AGM when deciding on the format of the meeting.

DASSAULT AVIATION is a French aerospace company manufacturing military aircraft and business jets.

We met with Dassault Aviation twice in 2022 and both meetings featured a discussion on sustainability, with a particular focus on sustainable aviation fuel (SAF). Whilst the company firmly believes there will be continuing demand for its products from businesses and governments, it recognises the need to focus on reducing the carbon footprint of its planes. Partly this will be achieved by engineering and design. All of Dassault's aircraft are capable of using a 50% SAF blend, and the new 10X model will be able to run on 100% SAF. The key issues include the maintenance of engines, minimising the speed of engine degradation and regulation on the use and consistent, quality assured supply of SAF.

In our first meeting, we encouraged Dassault to set targets for increasing the use of SAF. At the follow-up meeting, the company confirmed it would be publishing a SAF plan in March 2023, which should include a commitment to use 30% SAF on internal flights. Whilst SAF can be up to four times as expensive as conventional jet fuel, Dassault and other business jet users, because of their willingness and ability to pay a premium (relative to Jet A1 fuel), are in a position to help the industry grow, thereby helping to lower costs as the product scales.

In light of incoming Corporate Sustainability Reporting Directive regulation, Dassault will have to disclose more about its green strategy and its environmental and social data. The company welcomes these regulations as the industry will benefit from more comparable data between companies. We are awaiting the publication of Dassault's SAF plan and will continue our engagement with the company in due course.

Finally, Dassault's management has been very solid operationally, but we felt additional disclosure on capital allocation may realise shareholder value. So we also spent a lot of time talking about capital allocation and the positive effect of buybacks, which can create shareholder value when done at a low valuation. After many discussions, we were delighted to see the company engage in opportunistic buybacks when the share price seemed weak.

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

MUFG has committed to achieving Net Zero emissions in its finance portfolio by 2050 and in its own operations by 2030 as a part of the Net-Zero Banking Alliance. We spoke to MUFG's new chief sustainability officer at the beginning of 2022 to gain a better understanding of the company's sustainability agenda, policies and targets, following our engagement with investor relations last year on these issues.

We discussed the company's approach to analysis and target setting for its lending portfolio. MUFG currently runs scenario analysis for the energy, utilities and automobiles sectors but is looking to expand this coverage – work is ongoing as the company is yet to decide what type of targets to use. MUFG will publish intermediate targets in April to reduce emissions associated with these sectors by 2030. The company explained its choice of the International Energy Agency Net Zero Emissions Benchmark for its targets as best practice, after reviewing competitors.

We went into detail on the company's environmental and social framework for new transactions, including revised policies on coal financing, forestry and palm oil. It has a target for coal-fired power generation of reducing the balance by 50% from the 2019 level by 2030 and to zero by 2040. Furthermore, MUFG currently targets ¥35 trillion for sustainable finance lending with, we believe, the potential to revise this lending target upwards in the next few years. The company has reassured us that sustainable finance does not include nuclear power.

We encouraged the company to maintain a dialogue with us and its engagements with shareholders on its transition plan ahead of its next AGM. We look forward to continuing our discussion following the publication of its new report and targets.

OCEANAGOLD is a multinational gold producer operating in New Zealand, the Philippines and the United States of America.

We met with OceanaGold's sustainability team to discuss the company's strategy for decarbonising its operations. For OceanaGold, 2021 was a formative year in terms of sustainability, with the main focus on what its interim Net Zero targets should be. The outcome was the announcement at the beginning of 2022 of an interim target of reducing Scope 1 and 2 emissions by 30% by 2030. We highlighted our preference for frequent data disclosure so that investors could monitor progress towards this target. The company confirmed emissions data will be published annually alongside data for the previous five periods to aid comparison. Furthermore, performance incentives are in place to support the delivery of these climate targets.

The company is focusing on ways to decarbonise its electricity supply (Scope 1 or Scope 2 emissions). We were encouraged to hear that progress has been made in both New Zealand and the Philippines on securing renewable energy from current suppliers. In the US, however, the company's current supplier is not able to provide a renewable option. OceanaGold is looking at solar and nuclear energy alternatives and expects the Biden administration's new legislation to be a catalyst for the availability of renewable energy in the region where OceanaGold operates.

Another area where decarbonisation efforts are being channelled is the company's mobile equipment fleet. A step change will be needed in the mining equipment space, but the company is monitoring the emergence of new technology. OceanaGold is exploring the possibility of electric cranes, shuttles and escalators, but large equipment, such as haul trucks, has not yet been electrified. The company also pointed out that the fleet must be transitioned at the right time – it wouldn't make financial sense to replace equipment in good condition for the sake of sustainability, which we agreed with.

Whilst OceanaGold is comprehensively tackling its Scope 1 and 2 emissions, we wanted to know how it was progressing with measuring its Scope 3 emissions. The company is going through its supply chain to identify large contributors to its Scope 3 emissions. Both upstream and downstream players are undergoing similar emission reduction exercises, so OceanaGold should be on track to reach Net Zero by 2050.

We intend to maintain the dialogue with OceanaGold and monitor the company's progress towards its targets.

RYANAIR is a leading European airline.

One area where we have started to focus our resources is the aviation industry. It's no secret that plane travel is a high-emitting sector – in 2021, it was responsible for over 2% of global energy-related CO_2 emissions. Since the pandemic brought air traffic to a standstill, passenger travel has recovered to nearly two thirds of its previous level, and air cargo has surpassed its pre-covid peak. The industry is therefore poised to keep emitting significant levels of greenhouse gases unless structural progress can be made. Abatement technologies are in their infancy and, whilst they should address the issues aviation companies face, so-called green premiums and low volumes make these solutions expensive. However, demand is growing. Airlines and logistics companies are upgrading their fleets to boost fuel efficiency and are signing deals with producers of sustainable aviation fuel as they focus on their 2030 emissions targets. Some fleet owners are even placing orders for electric aircraft. Whilst this is all at very small scale relative to the demands of Net Zero, momentum is building.

Ryanair holds a market leading position in European short-haul travel. In our opinion, it is well placed to use its brand, convenience and influence – not to mention its superior financial flexibility – to deliver on the aviation industry's transition objectives. We intend to build a relationship with the company (and the wider industry) to gain a better understanding of the challenges and bottlenecks it faces in its pursuit of Net Zero. We began our engagement by meeting with Ryanair's director of sustainability and finance. We also attended the company's Sustainability Day, focused on the industry's pathway to Net Zero.

The airline industry faces a unique situation. Meaningful decarbonisation will require upgraded fleets and a switch to greener fuel. These abatement levers will depend on investments and innovations made by suppliers. However, given the industry's tight regulation and high green premiums, it will also rely on policymakers to start the energy transition in earnest. The objective of our initial meeting was to gain some visibility of key abatement parameters (some within the company's sphere of control, others dependent on regulators or suppliers) which could ultimately be translated into competitive advantages.

We aim to continue engaging with the ecosystem surrounding sustainable aviation fuel. This could lead to discussions on biomass, green hydrogen or even technological innovations. As the portfolio evolves, we may shift our focus and channel our engagements towards the relevant companies we hold.

Given the urgency of decarbonisation, and the stubborn technological challenges faced by hard-to-abate industries like aviation, we are on the look-out for first movers. These are companies that can lead their sector on the journey to Net Zero, forging a path that peers are forced to follow and thus potentially building a lasting competitive advantage in the process. By engaging with companies in these sectors, we aim to leverage our in-depth understanding of the value chain and drive real-world change.

CDP

"The Carbon Disclosure Project is to the future of business what the x-ray machine was to the then future of medicine. Without it, we would never see the inside of the patient's health." Christiana Figueres, former Executive Secretary of the UN Framework Convention on Climate Change, 2010

CDP (formerly the Carbon Disclosure Project) was founded in 2000 as the first platform to use investor pressure to influence companies to disclose information on their carbon emissions. The first disclosure request was sent in 2002 on behalf of 35 investors, with 245 companies disclosing their carbon emissions in response.

Under the tagline 'you can't manage what you don't measure', the initiative aims to provide environmental data that can be used to map trends, model emissions data and pinpoint best practice. Unlike other voluntary frameworks, such as the Global Reporting Initiative (GRI) and the SASB, CDP specialises in only environmental concerns. The organisation's original focus was on collecting, aggregating and standardising carbon data, but its scope was expanded to include data on water security and forests. This data, metrics and reporting informs investment research, products, indices and ESG ratings. CDP is not limited to companies; it also requests disclosure on environmental themes from cities, states and regions.

It is not a one-way street. Disclosing companies can also benefit by using CDP's reporting process to structure their climate transition and environmental reporting by first analysing their existing footprint. CDP can help companies track and showcase their progress, identify risks and uncover opportunities relating to the climate transition.

At Ruffer, we value clear and comparable information. We have been a signatory to CDP since 2015, and our research team uses CDP data, together with work from other research providers, to assess companies' environmental impacts and strategies. The independent grading of companies offers a helpful benchmark for peer comparison across any sector.

Whilst we have long engaged individually with companies to encourage data transparency disclosures, we decided in 2021 to become more actively involved with CDP's non-disclosure campaign. This break-off initiative aims to selectively engage with companies in high impact sectors that have consistently failed to respond to CDP's information requests. In 2021, we were lead investors for seven mining companies, three of which disclosed fully whilst two disclosed partly.

In 2022, we also opted to be a co-signatory for four companies we held: Northrop Grumman, Raisio, Dekel Agri-Vision and Kenmare Resources. We lent our support by under-signing the letters to these companies. We are pleased Northrop Grumman responded to this request and completed the climate change questionnaire. In addition, we chose to focus our efforts on gold companies and led engagements with five mining companies we thought would be responsive. We sent letters to OceanaGold (page 51), AngloGold Ashanti, Centerra Gold, St Barbara and IAMGOLD requesting that they complete questionnaires on climate change and water security (further information can be found in our Q3 2022 Responsible Investment Report on our website).

The subsequent engagements with and feedback from these companies have been informative. We understand the frustrations they feel (especially those with smaller teams) when they have already made the data requested by CDP readily available on company websites and in their sustainability reports. Company reporting is evolving towards the consolidation of reporting standards, and we are starting to see standardised data presented through recognised frameworks such as the TCFD and the GRI. We firmly believe the disclosure of clear and comparable data is integral to making progress, but we do not believe it should be merely a box-ticking exercise. In 2018, CDP aligned its disclosure platform with the TCFD to ease the reporting burden for companies and ensure that material climate-related financial disclosures meet the recommendations of the TCFD and the needs of investors. If environmental data is already available in a recognised framework and can help investors to make more-informed decisions, we understand that submitting the same data in a different format may not be the most efficient use of companies' resources.

We need to continue to assess our level of involvement. We intend to keep liaising with CDP to ensure the objective of engagements with companies remains relevant and useful, so that both investors and companies can get the greatest benefit out of the organisation's data.

Corporate governance in Japan

HOW WE CONSIDER CORPORATE GOVERNANCE ISSUES IN JAPAN

The Japanese Corporate Governance Code was revised on 1 June 2018. The code follows a principles-based approach, similar to the UK Corporate Governance Code. Companies must comply with the principles set out in the code or provide an explanation for not doing so. The second revision of the Japanese Corporate Governance Code incorporating the Guidelines for Investor and Company Engagement came into effect on 11 June 2021. Whilst the earlier version coincided with the Japan Revitalisation Strategy, this version was launched ahead of the restructuring of the Tokyo Stock Exchange.

In addition, Ruffer supports the principles of the Japan Stewardship Code, as a guide for good practice engagement with our investee companies. We have been a signatory to the code since 2015. Ruffer submitted its response to the revised code in September 2020, and we think it is important to support it.

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 on 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 throughout 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.

FUJI ELECTRIC is a Japanese electrical equipment manufacturer.

Following engagements before and after the 2020 and 2021 AGMs – at which Ruffer voted against three director appointments and one, respectively – we met with Fuji Electric to reiterate our stance ahead of the 2022 AGM. We informed the company that we intended to vote against the re-election of one director. We did not consider him to be independent, given his position in a cross-shareholding company, even though Fuji Electric maintains that he meets its definition of independence.

The company has continued to make governance improvements, with further reductions in cross-shareholdings, and is introducing one new independent outside director to the board in 2022. We fully support these changes but explained that we would like to see further progress, particularly on greater independence amongst the company's statutory auditors. Their four year terms mean 2024 will be the next key AGM to judge whether the company has taken seriously the need for improvements in this key oversight function. Fuji Electric remains receptive to our feedback and is making efforts to improve its governance. We will continue to engage on these issues.

GMO INTERNET operates a collection of Japanese technology businesses which include internet infrastructure, advertising and media services and incubation.

We met with the company to discuss various governance issues relating to the structure of the board. At the 2021 AGM, we voted against the reappointment of an audit committee member due to his tenure of 18 years, which we see as compromising his independence. We highlighted the importance of an independent audit committee, given its role as supervisor of the board, and emphasised this in the case of GMO Internet as it has such an influential founder in Masatoshi Kumagai.

We encouraged the company to move to a fully independent outside audit committee. We also voted against the CEO at the AGM and challenged the company on its poison pill (a takeover defence measure), which we view as unnecessary and a key reason for the company's valuation discount relative to peers. The company thanked us for our feedback and agreed to share our concerns with management.

We questioned the lack of both a nomination and a remuneration committee. The company explained that these are a work in progress and due to be in place soon. We questioned the lack of female board members, and the company explained it does not have internal diversity targets – board selection is entirely performance based. We encouraged the company to review its approach and emphasised the importance of diversity at this level of the business.

The company appreciated our constructive feedback as long-term shareholders and will convey our views to management. We will monitor progress on these issues ahead of the next AGM, where we may vote against the board if improvements are not made.

OTSUKA is an IT solutions company with a focus on small and medium-sized enterprises. Otsuka offers IT support for client business operations, encompassing both hardware and software.

This meeting focused on governance issues within the company where, in recent years, there have been a number of meaningful shareholder votes against some of the board's proposals. Several of these votes have been centred on director independence. The company highlighted that the number of external directors has increased but acknowledged it still falls short of the threshold required of a prime market listing. Management explained that it is difficult to find appropriate individuals with sufficient expertise and understanding of the business.

We challenged the company's lack of nomination and remuneration committees. The company informed us that it has decided to establish these committees following the 2022 AGM. Each committee will be made up of five members, where three individuals are external directors (one of whom will be Chair). This was a pleasing outcome, where we have played a key part in driving this change. In addition, the company decided to abolish the payment of retirement bonuses to corporate auditors and disclose the sums paid to board directors following feedback from investors (including Ruffer) and our vote on this at the 2021 AGM.

We believe Otsuka has greater room to improve governance practices, and we will continue to engage regularly with the company on these topics.

SHIMADZU is a Japanese company which manufactures precision instruments, measuring instruments and medical equipment.

Our initial concern was the company's target to increase the percentage of female workers in management positions to at least 6% (or 60 persons) by the end of March 2026. In the mid-term plan it published in 2021, Shimadzu committed to promoting diversity and inclusion and specifically set targets to maintain the percentage of women in full-time employment at 30% or more each year and to increase the ratio of male workers taking childcare leave to at least 30%. We expressed our belief that, over the given timeframe, the target set for women in management positions was not ambitious, and we probed for more details. The company clarified that the target relates to diversity within the Japan head office, where it currently has 30 women (4%) in managerial positions. Diversity in the domestic parts of the business lags the international divisions, and women make up 10% of Shimadzu's management positions overall.

We understand the challenges Shimadzu faces on diversity in the precision machinery industry but are encouraged to see that expanding into medical and pharmaceutical business lines has led to the recruitment of more female graduates. Whilst acknowledging the smaller female talent pool in some industries in Japan, we made it clear that we take the issue seriously and expect to see substantial progress in representation at senior levels of the business. We were reassured to learn that the company is focused on increasing the overall number of female employees across the entire business and that currently almost 30% of new graduates are women.

TOKIO MARINE is a Japanese provider of property and casualty insurance.

After engagement and voting against two outside directors due to their lack of independence over the last two years, we escalated our concerns by voting against the re-election of both the CEO and the Chair of the board of directors at the 2022 AGM, and against the two outside directors we do not consider to be independent. We communicated our decision to investor relations before the vote and met with the company to express our concerns and voting rationale.

We explained that we did not share ISS's rationale for a vote against the re-election of the CEO and Chair relating to the size of cross-shareholdings – in fact, we support the company's policy to reduce cross-shareholdings gradually. However, there has been a lack of progress on improving Tokio Marine's board structure, specifically the number of independent directors. Although one new independent director was added to the board in 2021, less than one third of the board can be considered truly independent.

We also reiterated the reasons behind our decision to vote against directors that have retained prominent positions at companies considered to be cross-shareholdings of Tokio Marine. We also deem that a director cannot be considered independent after more than nine years.

The company is cognisant of the shift to a more independent board model, especially in Japanese companies, but reiterated that it considers those two directors to be independent and added that it is difficult to find candidates who are not linked to cross-shareholdings, as Tokio Marine has so many. The company benefits from the balance brought by both short- and long-tenured directors.

We will continue to engage with Tokio Marine on the topic of board independence.

Business practices 4 8 9

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 businesses, often against consumers. So fair business practices may include the absence of these behaviours as well as signals like culture, policies, being a signatory to codes and standards (such as the United Nations Global Compact), treatment of stakeholders, transparent lobbying activities, management quality and governance oversight. We consider these risks as part of our analysis, using MSCI ESG Research, media reporting and third-party research. Reputational damage, business disruption through staff turnover (particularly the CEO and Chair), loss of key revenue streams, regulatory fines and rectification costs are assessed case by case.

OUR ENGAGEMENT RESPONSE RELATED TO BUSINESS PRACTICES 9

In 2022, we engaged with several companies on their responses to business practice failures. Over the year, we discussed business practices with Bayer, Hennes & Mauritz and Toyota Motors. Elsewhere in this report, we discuss our research, engagement and voting activities on climate risk, the management of which could be considered part of company business practices.

BAYER is a multinational pharmaceutical company engaged in the development, manufacture and distribution of nutrition and healthcare products.

Part of our ESG-focused engagement with Bayer surrounded the controversy of genetically modified organisms (GMO). Whilst this issue continues to be divisive, the company sees it as an essential driver of the future resilience of agriculture. Regulators are beginning to change their views on GMO regulation: developing countries such as Nigeria, Kenya and India are adopting more genetically modified crops, and the UK government and EU Commission are more supportive of gene editing.

However, Bayer conceded that its previous genetic modification of neonicotinoids has been directly linked to the decline of global bee and butterfly populations. (Neonicotinoids are a class of insecticides chemically related to nicotine. The name literally means 'new nicotine-like'.) Bayer acknowledges the shortcomings of its defence in the 2000s, and the company has improved on this, now taking a proactive, rather than reactive, approach. We also discussed the continued litigation on Monsanto's Roundup® weed-killer products. At the time of the meeting, Bayer had growing confidence in its bid to prevent future glyphosate lawsuit claims. In June 2022, however, the US Supreme Court rejected Bayer's appeal, keeping potential future liabilities open.

H&M is a retailer of clothing, accessories, footwear, cosmetics and home textiles.

We have been engaging with H&M since 2020 on the topic of board independence. We have continued to express concerns that two members of the audit committee have been on the board for more than ten years, and one is the CEO of a company with ties to the family majority shareholder of H&M. The latter director also serves as the Chair of the audit committee and whilst H&M recognises he is not considered independent, it does not share our view that long tenures can compromise a director's independence and, more specifically, their ability to perform a crucial role on the audit committee. We believe that the committee needs to be strong to challenge executives, especially given the family ownership structure. Whilst our concerns were fed back to the Chair, we have not seen any efforts to refresh the audit committee, so we voted against the re-election of the audit Chair at the 2021 AGM and against the re-election of both directors at the 2022 AGM. We met again with H&M in 2022 to reiterate our concerns, but the company maintained that Swedish regulations don't consider tenure as a condition for independence, nor are there any rules against a non-independent audit committee Chair. We followed up by writing a letter to the board of directors to express our concerns and to encourage a refresh of the audit committee. We are cognisant of the differences in corporate governance practices in the UK and Sweden and realise we are unlikely to effect change when it comes to different definitions of independence.

We also discussed the policies H&M has in place to address possible conflicts of interest between the majority family shareholder and other shareholders, especially given the composition of the board. We were reassured that the publicly available code of ethics was explicitly a part of the board's order of procedure and any market abuse regulation was taken very seriously.

TOYOTA MOTOR manufactures and sells motor vehicles and parts.

We met with Toyota after its 2022 AGM to explain the rationale behind our votes for and against the re-election of certain board members. Whilst best-in-class companies have majority independent boards, Toyota only has three outsiders out of nine directors – the minimum requirement in Japan. Given the company's reputation as a leader in the vehicle industry, more could be done to improve the board's independence. As a result, we voted against the re-election of both the Chair and the President to hold them, as senior directors, accountable for governance failings, including the lack of independent nomination and remuneration committees. We suggested that we would prefer a majority independent board and would be supportive of more female candidates for board positions.

We then discussed Hino Motors, a subsidiary of Toyota, and the emergence of fraudulent and falsified inspection data. A report was published after a special investigation uncovered fraud that had been ongoing since 2003. The company conceded it had not fulfilled its supervisory responsibility as the parent company of Hino Motors. Toyota's CEO has since visited the department found to be at fault, meeting with both employees on the floor and the executive team. We were reassured that the company is committed to bring Hino's governance structure, which previously was not fully integrated, in line with its own. Hino Motors has what is described as a top-down culture, and the first step towards changing this culture is to encourage communication between the management team and employees. The company admitted it might take some time to change management's mindset.

We asked whether the company has taken any steps to proactively review other subsidiaries or partner companies. Toyota has reached out, but nothing has yet come to light. We asked about their methods of escalation if Toyota does not feel that change is underway. It would consider installing company executives at Hino Motors to lead the shift in mindset and could also increase ownership to exercise more control over the company. The situation is being monitored and we will be updated regularly.

Finally, we discussed operational and supply chain disruptions, caused primarily by climate change and natural disasters, and how these risks are mitigated. In recent months, Toyota has experienced shutdowns due to water restrictions in China, as well as flooding in South Africa, so it is acutely aware of the material impacts such disruptions can have on its supply chain. Through visualisation of the supply chain, the company can identify disruptions quickly and redirect parts and materials accordingly. Toyota identifies in advance where parts can be used as replacements in case of disruption and has contingency plans to enable a smooth transition between diversified suppliers. Japanese companies have been exposed to natural disasters in the past and so can share considerable know-how when opening factories in locations that could be exposed to similar events.

Overall, this was a useful discussion on Toyota's lack of board independence, as well as a chance to learn how the company is dealing with both physical and cultural risks within the business.

Strategy and capital allocation 4 7 9 10

HOW WE CONSIDER THE RISKS POSED BY STRATEGY AND CAPITAL ALLOCATION

According to the International Corporate Governance Network, capital allocation can be defined 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.” Capital allocation is therefore the sources (debt and equity) and uses (such as dividends, reinvestment or debt repayments) of capital. In the Ruffer Review 2023, Investment Manager Ed Roe reviews The Outsiders, by William N Thorndike, Jr, who argues that “the hallmark of exceptional company leadership is the delivery of long-term returns for shareholders, and this can only come from quality capital allocation.”

Capital allocation is important because it determines whether a company is creating or destroying shareholder value. Shareholder value, in this context, is measured by the spread between the 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 simply extrapolate forwards. This would be a mistake. 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 will be replicable in the future. Fundamentally, strategy and capital allocation are interwoven. Collectively, they are a measure of board and management effectiveness, which is why it is a stewardship issue.

At Ruffer, we look at historical return on capital and analyse the likely future return on capital as part of fundamental security selection. 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.

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

As a macro-driven investor, Ruffer can avoid sectors or themes considered expensive on fundamental grounds or unattractive for other reasons, such as stranded asset risk (which is linked to climate risk). 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. Topics for engagement may include working with management to improve financial reporting, assessing key audit issues and the audit report, improving the quality of the board (the number and proportion of independent directors), reducing cross-shareholdings (which we believe constrain value creation or create conflicts) and identifying which companies 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 2022, Ruffer continued to develop its data sources and tools to enhance its research process. For example, tracing 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 constraints, excess capacity or stranded asset risk. These factors may bear upon how economic profit (the difference between the accounting profit and the opportunity cost the business has forgone) is shared among participants in buyer-supplier relationships 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 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 enhance our ESG analysis approach. In respect to capital allocation and strategy, we seek to integrate elements such as board oversight, audit quality, shareholder rights and executive pay alignment with company strategy.

FUJITEC is a Japanese manufacturer of elevators and escalators.

We invested in Fujitec at the end of 2020 via a basket of Japanese value companies that we felt would experience a share price uplift as the trend towards improving corporate governance and investor engagement in Japan gained traction.

We discussed the structure of the company's new mid-term plan, which has received public criticism from several large shareholders. We spent time trying to better understand how the company has set future targets since the reports provide lots of content, but there was little detail justifying the plans. The revenue growth projection felt particularly optimistic and the increased budget for capital expenditure and mergers and acquisitions appeared excessive.

We explained our view that the company needs to improve its public communication with investors. We also discussed the company's plans for disposing of current cross-shareholdings. The company acknowledged our concerns and noted that it would provide investors with additional detail to better appraise its mid-term targets.

RUBIS is engaged in the distribution and retail of fuel products mainly in emerging markets. It also holds a majority stake in a joint venture which provides storage for bulk liquid products in Europe.

We have owned Rubis in one of our specialist funds for over 15 years. Our investment thesis rested on it being a quality company with strong local market positions and inorganic growth opportunities.

We began to engage with management intensively from 2018 onwards, focusing on the impact of the energy transition on its core business, its capital allocation policy and corporate governance structure. In early November 2020, we were pleased to see the company announce a share buyback and a change to the formula for calculating the remuneration of two general partners to better align it with the interests of other shareholders. We were further reassured that our corporate social responsibility (CSR) concerns had been taken on board, with the formalisation of a multi-year roadmap setting clear targets to reduce operational emissions and to promote diversity and equal opportunities.

Despite initial progress, we continued to engage with the CFO and investor relations throughout 2020 and 2021 on the company's energy transition strategy and its capital allocation policy. We spoke with the newly appointed head of CSR to better understand its approach to CSR and, in particular, to gain confidence it had adequate controls in place to manage the risk of corruption and bribery across the emerging markets where it operates. We also spoke with the head of governance, focusing on the implications of its legal structure (being a société en commandite par actions, or a partnership limited by shares), the composition of its supervisory board and the potential to improve disclosure for shareholders. In April 2022, we were also finally able to meet with one of the general partners and the daughter of the other general partner, who herself is deputy managing director at Rubis.

During this period, Rubis proceeded to acquire two expensive renewable energy assets to offset the impact of the energy transition on its core business. However, it became clear that management lacked experience in these new markets and there were limited synergies with the core business. Rubis was not, in our opinion, the best owner of those renewable energy assets. It would have been better for these businesses to be allowed to thrive under different ownership and for Rubis' capital to be deployed more effectively elsewhere or returned to shareholders.

The unusual corporate structure of the company was probably a significant driver of its inefficient capital allocation decision. The general partners hold only 2% of the company's shares but direct the operations of the company. We did not feel our interests as shareholders were well aligned with those of the general partners, nor did we feel the business had a satisfactory strategy for the energy transition. As a result, we made the decision to divest. We began to reduce our holding in May 2022 and completely exited our position in October.

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.

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

Issues: **Environmental and governance – waste management, raw materials sourcing, board structure, remuneration and ESG rating**

Following our introductory call with Coty in December 2021, we met with the company again for a progress update.

Previously, we had emphasised the importance of having a board member accountable for sustainability, so we were pleased that the board is providing oversight of the sustainability strategy, with Anna Makanju shouldering this responsibility as part of her role on the board. The firmwide focus on sustainability is reinforced through the hiring of a new chief scientific officer and sustainability leader, as well as a new chief supply chain officer.

Coty is going through a major restructuring under a promising new CEO in a volatile macro environment. Whilst we understand the need for a balance between retaining institutional knowledge and introducing fresh ideas, we reiterated our views that board members should be properly independent and their tenure should not be unlimited. We asked again about linking compensation to ESG-related metrics, and we understand the company expects that incoming disclosure requirements on pay will provoke debate on performance metrics. Coty reassured us this is being actively discussed for implementation as the business executes its restructuring plan under the new management.

Coty's poor MSCI ESG rating was one of the initial reasons for engaging, and we were pleased the company has been upgraded since our first meeting. There is still room for improvement, but we can see the effort Coty has put into engaging with ratings agencies such as MSCI and Sustainalytics. We took the opportunity to encourage more disclosure to benefit the company's assessment by such agencies. Coty recognises the need and will be launching a new website as a disclosure hub.

The rest of the meeting touched on a number of environmental and social topics, including emissions reduction targets, raw materials sourcing and litigation risk. Coty has already surpassed its 2030 Scope 1 and 2 reduction targets. Overall, we are pleased by the achievements on each of these fronts and look forward to seeing further progress.

GENERAL MOTORS is a major US automaker undergoing a transformation from internal combustion engines to electric vehicles.

Issues: Social – labour standards

We met with the company to discuss our concerns about the possibility of child labour in the General Motors supply chain, following a shareholder resolution put forward at the 2022 AGM. The proposal called on the company to provide a separate report to establish whether or not child labour exists in its supply chain for electric vehicles. Whilst Ruffer wholeheartedly agrees with the intent of this proposal and is in full support of the company taking every precaution to prevent child labour in its supply chain, we voted against the resolution as we do not believe an additional report would add value or result in any tangible outcomes for the company.

Instead, we felt engaging directly with General Motors would be a more effective way to voice our concerns over the lack of independent audits of suppliers and encourage a higher quality reporting of child labour prevention procedures in its sustainability report. The company reiterated its zero-tolerance policy towards child labour and requirement for suppliers to pledge not to employ children. We said we would like General Motors to audit its suppliers as we do not feel that a pledge carries sufficient accountability to ensure the protection and general welfare of mining workers. We explained the rationale behind voting against the shareholder resolution but highlighted our expectation for General Motors to address and improve its quality of reporting on the matter in its sustainability report and demonstrate why the company should be best in class in the industry.

The company committed to reporting comprehensively on supplier auditing and wider efforts to combat child labour in its sustainability report and emphasised its readiness to terminate any relationships where there are indications suppliers are not complying.

Engagement activities in 2022

Collaborative

Independent

In 2022, we engaged with the following companies. More information can be found in our quarterly Responsible Investment Reports available at ruffer.co.uk/responsible-investing

COMPANY NAME	TYPE
AcadeMedia	Independent
Aena	Independent
ArcelorMittal	Collaborative
Bayer	Independent
BP	Independent
Brickability Group	Independent
Chesapeake Energy	Independent
CML Microsystems	Independent
Comet Holding	Independent
Coty	Independent
Dassault Aviation	Independent
DX	Independent
Epwin Group	Independent
Equinor	Independent
Fuji Electric	Independent
Fujitec	Independent
General Electric	Independent
General Motors	Independent
GMO Internet	Independent
H&M	Independent
Hamamatsu Photonics	Independent
HENSOLDT	Independent
KEYENCE	Independent
Kinovo	Independent
Mercia Asset Management	Independent
Mitsubishi Electric	Independent
Mitsubishi UFJ Financial Group	Independent
Newcore Gold	Independent
NTT DATA	Independent
OceanaGold	Independent
Otsuka Information Technology	Independent
Portmeirion Group	Independent
Raisio	Independent
Ryanair	Independent
Science Group	Independent
Shell	Independent
Shimadzu	Independent
Shin-Etsu Chemical	Independent
Tokio Marine	Independent
Toyota Motor	Independent
Unibail-Rodamco-Westfield	Independent
Velocys	Independent

Why voting makes a difference

11 12

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?

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 materiality considerations. Our policy on voting reflects both our investment objectives and our investment approach. It is Ruffer's policy to vote on AGM and 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 manage capital on behalf of clients located within and outside the United Kingdom, we have adopted more than one definition of significant vote. For 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 we consider will be of particular interest to our clients. In most cases, these are when they form part of continuing engagement with the company 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.

HOW DO WE DO IT?

Our internal voting guidelines apply 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 guidelines include guidance for

- determining whether a remuneration policy should be supported
- determining independence and over-boarding of directors and the composition of board sub-committees
- commitments to support resolutions requesting disclosures aligned with the TCFD and political, lobbying or trade association payments or donations
- Japanese companies

Research analysts review relevant issues case by case. Drawing on support from our RI team and 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. 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 the ESG due diligence, for example considering which of the following apply: 'one share, one vote', dual-class shares, controlling shareholders, free-float, presence of poison pills or similar governance restrictions.

Ruffer has internal voting guidelines and has developed an integrated voting platform linked to proxy voting research, currently provided by 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 generally delegate or outsource our decision on 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 like-minded investors.

For the majority of our clients, we exercise voting rights on holdings in the portfolio in accordance with Ruffer's voting guidelines. 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

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 2022 aggregated voting data presented here comprises all votes across Ruffer funds, institutional investors and private client holdings. We have not included client accounts where we do not have the authority to instruct votes. Ruffer voted at 327 company meetings in 2022. At each meeting, several resolutions are usually proposed by management or shareholders. The majority of Ruffer's assets are managed either through our flagship funds or in segregated accounts managed to the same strategy.

We estimate that we cast votes at company meetings accounting for 95% of the equity AUM measured as at 31 December 2022.[3] We have a number of challenges in calculating this figure, including legacy holdings of non-managed assets, which we hold mainly for private clients in separate accounts, a 'voluntary' list of companies where the analyst has discretion to vote, and the fact that the equity weight is taken at year end rather than calculating the weight at the time of voting.

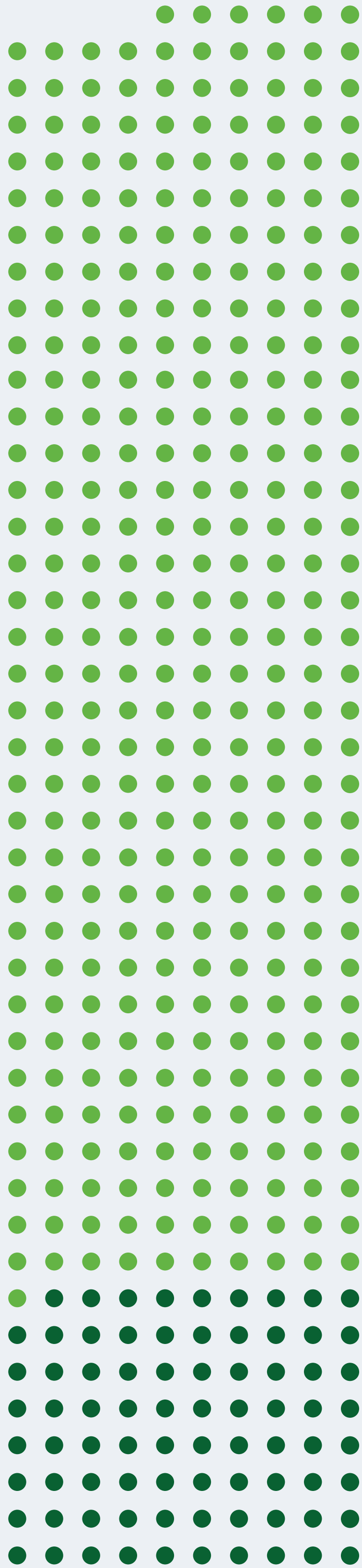
VOTING BREAKDOWN 2022

Total items voted	3,826	%
For	3,573	93
Against	174	5
Abstained or withheld	79	2

3 Estimate calculated based on data from ISS and Ruffer, using data from ISS for the meetings where Ruffer did not vote in 2022 and the proportion of Ruffer's AUM these companies represented as at 31 December 2022

327

MEETINGS VOTED



99

MEETINGS WITH AT LEAST ONE VOTE AGAINST, WITHHOLD OR ABSTAIN

GEOGRAPHIC DISTRIBUTION OF MEETINGS AT WHICH WE VOTED


105
UK
2 SWEDEN
NORWAY 4
NETHERLANDS 4
4 GERMANY
9 FRANCE
LUXEMBOURG 5
SWITZERLAND 3
7 SPAIN
1 CYPRUS
2 ITALY
5 CHINA
42
JAPAN
1 HONG KONG
3 SRI LANKA
1 SINGAPORE
3 MAURITIUS
22
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 seek to discuss shareholder resolutions we voted in favour of which were against the recommendations of the company. In 2022, we voted against management predominantly on issues relating to the independence and effectiveness of directors and executive pay. The companies varied in size, sector and location, ranging from American technology companies to global mining companies. The chart opposite shows votes against management by type of resolution.

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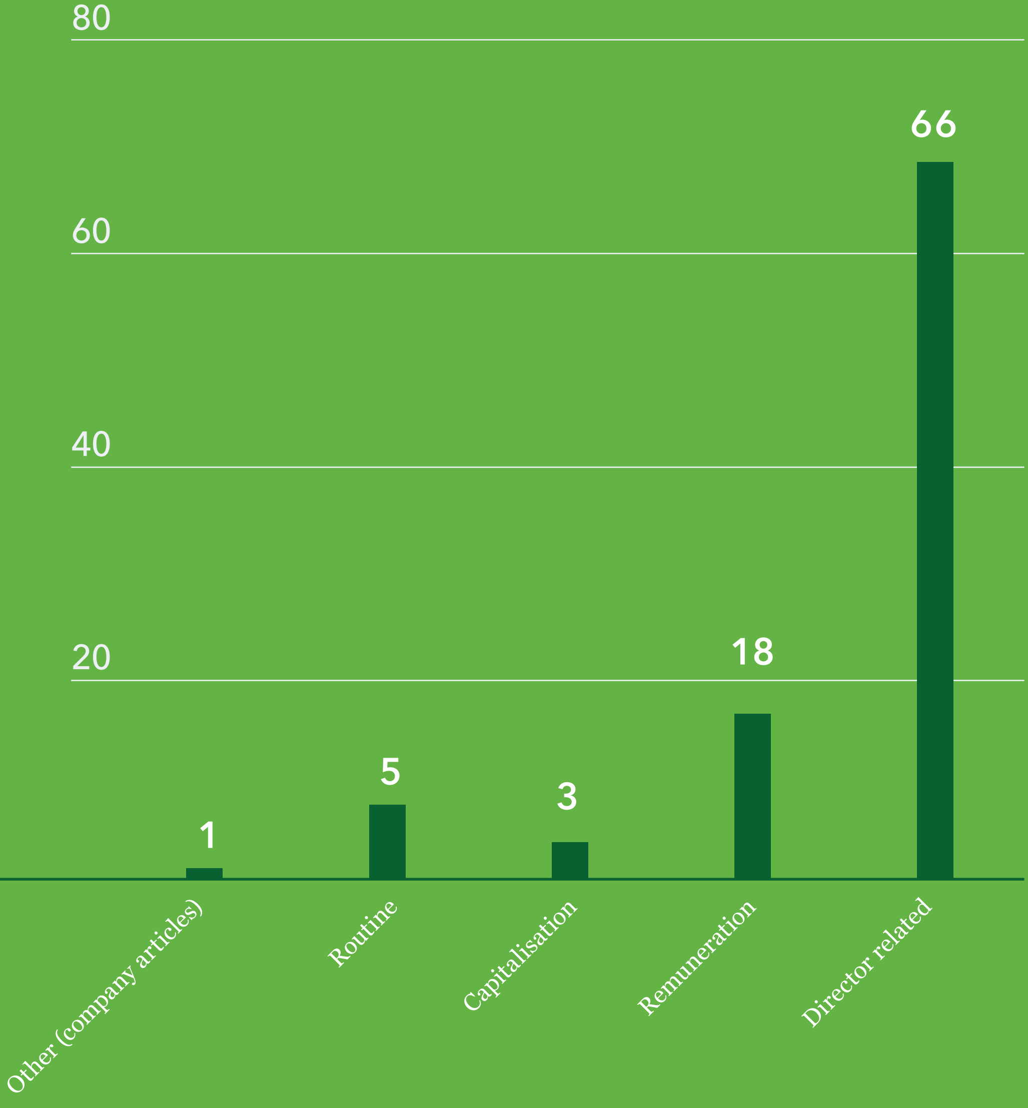
VOTES AGAINST MANAGEMENT RESOLUTIONS

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 a board has 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 teams 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 guidelines.

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 2022 because of concerns they were not independent. We voted against the re-election of directors at many companies, including four directors at American Express (in 2021, we voted against the re-election of five), two at ConocoPhillips, three at Cigna (in 2021, we voted against the re-election of five) and two at H&M. Observations include tenure and non-independence (on the board or audit committee).

BRISTOL-MYERS SQUIBB

We voted against the re-election of director Gerald L. Storch on the grounds of lack of independence. He has been on the board for ten years, which surpasses our internal recommended maximum tenure, so we believe a vote against was warranted.

Outcome of the resolution: Passed

We supported a shareholder resolution that asks for the separation of the CEO and Chair roles at the end of the current CEO's term. Given that these motions have been present for years, we expect the company to manage the transition with limited disruption.

We supported a similar resolution at the company in 2021.

Outcome of the resolution: Failed

Follow on and next steps: since the AGM, we have sold our holding and will not currently be engaging further.

SUMITOMO MITSUI FINANCIAL GROUP (SMFG)

Like last year, we voted against the re-election of director Masayuki Matsumoto because we consider him non-independent, given his other roles. Furthermore, he maintains the position as Chair of the audit committee, which goes against our internal voting guidelines which states the Chair of the audit committee should be independent.

Outcome of the resolution: Passed

Follow on and next steps: we will engage again with SMFG on the topic of board independence.

TOKIO MARINE

We voted against the re-election of directors Tsuyoshi Nagano and Satoru Komiya. We met with the CEO to discuss the rationale for our decision to vote against his and the Chair of the Board's re-election – namely, the lack of progress on improving the board structure and the continued tenure of two directors we do not consider to be independent, given the level of their cross-shareholdings. More information is given on page 60.

Outcome of the resolution: Passed

Follow on and next steps: we will continue to engage with Tokio Marine on the topic of board independence.

Remuneration policies and reports

Remuneration continued to be of interest in most western markets in 2022. 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 whilst giving due consideration to a company's 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 2022, we voted against management's proposals on remuneration at various companies, including Agnico Eagle Mines, Bayer, Meta Platforms, Telefonica, Veolia and WH Smith.

BAYER

We voted against the remuneration policy because the board used its discretion to award the executives short-term incentive payments which we felt were not justified, given the financial performance of the company during the year. In our opinion, inadequate disclosure was provided to shareholders to explain the decision to award incentive awards.

Resolution outcome: Failed

Follow on and next steps: early in 2023, the company announced the early departure of the current CEO and the appointment of a new CEO. It also became public information that an activist investor had taken a position in the company and was agitating for change. For the time being, we are taking a 'wait and see' approach and will seek to meet with the CEO once he is settled into the role.

META PLATFORMS

We voted against the remuneration resolution as the company's awards remain discretionary and incentive programmes lack objective performance metrics and quantified goals. Disclosure on individual performance assessments is not comprehensive, and the design allows for the assessment to have a potentially large impact on final pay-out. Executives continue to receive very large equity awards that lack performance vesting criteria. Moreover, the CEO's and COO's security costs are exceedingly large and increasing each year. Whilst security costs may be a necessary expense, the company does not provide a compelling reason why the CEO's security costs dwarf those of his peers.

Resolution outcome: Passed

Follow on and next steps: we will look to discuss the matter further with management.

WH SMITH

In line with last year, we voted against the remuneration policy at WH Smith. We considered the performance of the senior management in FY2021 and concluded that the bonus awards for the CEO and the CFO were excessive given the overall profitability of the business in the period. The performance target for this award was also changed, and this was not disclosed to shareholders in advance.

Resolution outcome: Passed

Follow on and next steps: we are not currently engaging further with management.

Voting for and against shareholder resolutions

In several cases, we voted for shareholder resolutions which did not gain the support of company management.

POLITICAL CONTRIBUTIONS, LOBBYING PAYMENTS AND POLICIES

In 2020 and 2021, we engaged and voted on several shareholder resolutions requesting additional disclosure on political contributions, lobbying and trade association memberships. We continued this approach in 2022.

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 guidelines because we believe these disclosures enable us to make better-informed investment decisions.

We voted in favour of a shareholder resolution at Cigna asking the company to prepare a report on the congruency of political expenditures with the company's values. We voted in favour of resolutions requesting reports on lobbying payments and policy at Charles Schwab and Meta Platforms.

At Pfizer, 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, as we believe the company has already disclosed information relating to its political spending.

DIVERSITY EQUITY AND INCLUSION

We voted in favour of a resolution proposed at Meta Platforms to report on the risks associated with the use of concealment clauses in employment or post-employment agreements.

OTHER SOCIAL SHAREHOLDERS PROPOSALS

At Meta Platforms, we supported three other shareholder proposals requesting: a report on charitable contributions; an impact assessment on third party human rights, specifically relating to Meta's use of targeted advertising; and a report on what measures are in place to prevent child sexual exploitation online. Given the potential financial and reputational impacts of any controversies relating to child exploitation on the company's platforms, we believe shareholders would benefit from additional information on how the company is managing these risks, including those associated with end-to-end encryption technologies.

CLIMATE CHANGE

Our voting decisions are often linked to our engagement activities with companies. These engagements may relate to requesting targets to reduce greenhouse gas emissions or aligning business models with the goals of the Paris Agreement. Shareholder resolutions can be a useful signal, even if they fail to reach majority support. They indicate to management and the board issues which shareholders consider as not being communicated or managed appropriately.

AENA engages in the operation and management of airports and heliports and manages commercial spaces.

We are pleased with Aena's progress on its climate strategy. The company has been committed to the SBTi since November 2021, and its Net Zero commitment by 2040 includes Scope 1, 2 and 3 emissions.

Like last year, we supported Aena's updated report on its climate action plan.

Resolution outcome: Passed

Follow on and next steps: we will continue to monitor Aena's progress.

BARCLAYS

We have engaged several times with Barclays over the last 18 months on its climate strategy, existing targets, data analysis and plans for setting new targets on a broader range of sectors.

We supported the company's climate resolution in 2020 and voted against a resolution filed by Market Forces at the 2021 AGM, as we deemed it too narrow in scope.

The company published a new progress report before the vote in 2022, which detailed further intermediate commitments, targets and hurdles to be achieved as part of its membership of the Net-Zero Banking Alliance, which has a headline 2050 target. Whilst certain elements still need to be addressed, we are supportive of the company's progress.

Resolution outcome: Passed

Follow on and next steps: since the AGM, we have sold our position and we will not currently be engaging further.

BP

We voted in favour of BP's climate transition plan. The company set five aims to transform BP into a Net Zero company by 2050, covering operations, productions and sales. We assessed the company's strategy, and we are comfortable with the management and board's commitment to Net Zero.

Resolution outcome: Passed

We voted against a shareholder resolution which required the company to set climate targets. BP has announced an ambition to become a Net Zero company by 2050 and has published targets and objectives, including linking the climate progress to executive remuneration.

Resolution outcome: Failed

Follow on and next steps: we will continue our engagements with BP in 2023.

EQUINOR

We voted for Equinor's transition plan because we are supportive of its efforts to decarbonise. Equinor is at the forefront of offshore wind developments, and we have been impressed by the business's success in that area. Equinor is one of a few companies which have been profitable in aiming to decarbonise.

Resolution outcome: Passed

We also voted against several shareholder proposals we deemed too prescriptive, such as asking the company to stop all exploration activity and test drilling for fossil energy resources. These resolutions did not pass.

Follow on and next steps: we have engaged with the company and discussed their transition plan. We will continue our discussions.

H&M

We voted in favour of a shareholder resolution that requires a report on sustainably sourced and organically produced cotton. H&M has disclosed that, since 2020, all its cotton comes from more sustainable sources and that it already has an aggressive target to use 100% recycled or other sustainable materials by 2030. This resolution requires further data disclosure and an independent audit of the above targets, and it seems a reasonable and incremental step forward.

Resolution outcome: Failed

Follow on and next steps: since the AGM, we have sold our position and will not currently be engaging further.

GLENCORE

We abstained from voting on the climate progress report at Glencore as we felt there was a potential disconnect between strategy and execution. Glencore has purchased the remaining stake in a thermal coal mine, and we felt this conflicted with its published emission reduction targets, statements it had previously made about acquiring additional coal assets and the feasibility of its plan, given increased coal production. Nevertheless, where we think the company can generate economic returns, we believe it is better for carbon-intensive assets to be managed down by public companies, which are exposed to investor scrutiny, rather than being divested to other owners. We continue to monitor Glencore's progress.

Resolution outcome: Passed

Follow on and next steps: we continue to monitor Glencore's progress.

SHELL

We support Shell's approach to the energy transition, and we have engaged with the company over the past three years on its medium and long-term ambitions to reduce its greenhouse gas emissions.

In the short term, Shell has Scope 1 and 2 absolute reduction targets in place, and it is targeting 2.5 million electric vehicle charging points, as well as expanding its biofuels segment to more than 10% of transport fuels sold by the company.

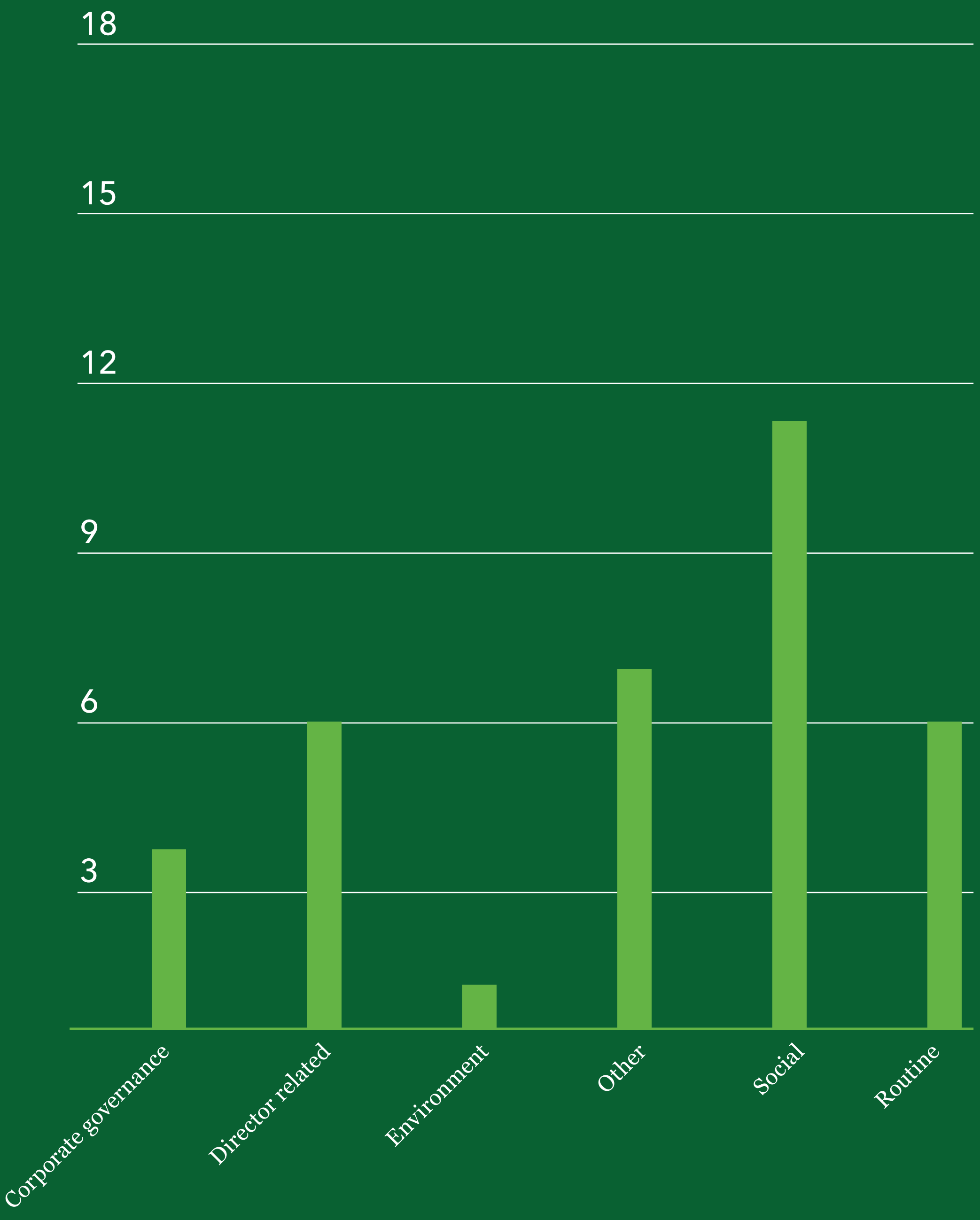
At the 2022 AGM, we supported Shell's energy transition progress update report.

Resolution outcome: Passed

We once again voted against a shareholder resolution by Follow This, requesting Shell to set and publish targets for GHG emissions, which failed. We believed Shell's transition plan was ambitious enough and will not compromise shareholder value.

Follow on and next steps: we will continue our engagements with Shell.

35 VOTING FOR SHAREHOLDER RESOLUTIONS AGAINST MANAGEMENT RECOMMENDATION



Thoughtful governance

2 5 8

HOW WE GOVERN RESPONSIBLE INVESTMENT AND STEWARDSHIP 2

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

Overall accountability for RI strategy and risk management lies with Ruffer's Executive Committee, with oversight by the Board of Directors. The Executive Committee is responsible for approving the direction and priorities for the responsible investment and stewardship strategy. The implementation is overseen by Miranda Best (Deputy CEO).

The Responsible Investment Committee was established in 2020 and is a sub-committee of the Executive Committee. During 2022, it was co-chaired by the Deputy CEO and the General Counsel. This committee monitors the firm's responsible investment policies and processes, and the delivery and execution of RI, including stewardship activities and managing any risks that arise. The group reviews reporting 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 TCFD, as well as monitoring and steering for major internal initiatives and responses to regulation.

As our internal RI processes and commitments develop as a result of strategic decisions, our oversight and governance will evolve. Reflecting wider governance changes at Ruffer, in 2023 the duties of the Responsible Investment Committee will transfer to the firm-wide Oversight and Control Committee, a new delegated sub-committee of Ruffer's Executive Committee. It is designed to holistically oversee and review first line risk. The Oversight and Control Committee will be co-chaired by the Deputy CEO and the General Counsel.

In 2023, a Responsible Investment Council will be formed, which will be a management committee. It will comprise four Ruffer Partners – drawn from Research, Risk, Front Office and Legal and Compliance – as voting members, with support from management as required. Its purpose is to be finalised, but the intention of this body is to opine on matters relating to RI and stewardship which may have reputational, strategic or operational implications for Ruffer or its clients.

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 RI team is supported by, and supports, ESG analysis and stewardship activities by the analysts within the research team. An RI specialist from our portfolio management team 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. We conduct regular updates and feedback sessions with the research analysts, such as on our Net Zero commitments.

To ensure all research analysts and portfolio managers understand ESG considerations, we have conducted in-house training since 2019. In addition, the RI specialists have each 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.

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. Given Ruffer's size, we have so far not sought external assurance on our policies and processes for RI and stewardship. We keep abreast of regulatory requirements and assess how these will apply to Ruffer and our underlying funds.

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 consider new providers when appropriate.

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, not individual, achievement and putting our clients' interest first. We want our people to feel included at Ruffer, and for Ruffer to be inclusive of diverse backgrounds, education and heritages.

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

Ruffer's goals are to

- increase confidence and transparency on performance, promotion and pay
- evolve our recruitment processes and skills to attract more diverse talent
- build leadership and management capability to encourage and listen to diverse ideas
- deepen our awareness and knowledge of D&I through external relationships and internal sessions
- celebrate the diversity we have at Ruffer
- improve judgement and decision making by seeking different views and opinions

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 Black Interns initiative.

REMUNERATION AT RUFFER

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. 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 integration and stewardship priorities. The team's variable pay is also linked to these indicators.

OUR FEEDBACK FROM THE FINANCIAL REPORTING COUNCIL (FRC) ON OUR 2020 AND 2021 STEWARDSHIP REPORTS

We have welcomed the detailed feedback from the FRC on our 2020 and 2021 Stewardship Reports. We have carefully considered this feedback and have sought to improve our reporting to reflect it. In 2021, we provided additional information primarily on our approach to managing conflicts of interest, particularly relating to stewardship, and an assessment of our effectiveness in identifying and responding to market-wide and systemic risks and promoting well-functioning financial markets. In this report, we have focused on improving the reporting of our voting case studies, ensuring we include sufficient context and the outcome of the votes. We will continue to evolve our reporting to reflect feedback from both the FRC and clients.

Contact us

SIMON MOUNTAIN

Research Director

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Previously at Bain & Company, having gained ten years' experience as a strategy consultant. Started his career in PwC Transaction Services advising on European private equity deals. Graduated from the University of Cambridge with a Master's degree in Manufacturing Engineering. He joined Ruffer in 2013, becoming co-manager of one of our specialist funds in 2016.

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. She initially worked with Ruffer's charity team and has specialised in responsible investment since 2018, focusing on integration and stewardship. She is a CFA charterholder.

PETER LUNT

Manager, Responsible Investment

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Joined Ruffer in 2021 from an ESG Investment Specialist role at the BP Pension Fund. Previous roles include Investment Director at Project Snowball, Senior Analyst, Responsible Investment at USSIM and Portfolio Manager, Equities at VicSuper, Australia. Has a Bachelor of Economics and a Bachelor of Science (Forestry) (ANU), a Masters of Environment (University of Melbourne), a Graduate Diploma in Applied Finance & Investment and is a Member of the Institute of Directors.

FURTHER INFORMATION

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

- Quarterly responsible investment reports
- Stewardship and responsible investment policy
- Our response to the UK Stewardship Code
- Our response to the Japan Stewardship Code
- Climate change framework
- Our voting summary
- A selection of articles on responsible investment topics

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