Shareholder Rights Directive II

The amended European Shareholder Rights Directive (SRD II), which was implemented on 10 June 2019, includes transparency obligations for European institutional investors as well as European asset managers (such as Ruffer LLP) to the extent investments in EU equity instruments are made.

Ruffer is committed to adhering to SRD II which aims to encourage long-term shareholder engagement. We believe that engagement is an effective tool to achieve meaningful change and we are committed to engaging with companies in which our clients' assets are invested on a wide range of topics.

At Ruffer we interpret responsible investment as the incorporation of environmental, social and governance (ESG) considerations throughout our research and investment processes, while behaving as active stewards of our clients' assets. We recognise that ESG considerations are important drivers of investment performance, representing both sources of value and investment risks. Therefore, incorporating these considerations into our investment approach forms an essential part of our responsibility to our clients. We believe that investing responsibly will lead to better long-term outcomes for our clients.

Engagement policy and reporting

To adhere to SRD II, Ruffer is required to disclose a shareholder engagement policy on a 'comply or explain' basis. This policy must describe how Ruffer –

1. Monitors investee companies on relevant matters (eg strategy, performance, risk and ESG)
2. Conducts dialogues with investee companies
3. Exercises voting and any other shareholder rights
4. Collaborates with other shareholders
5. Communicates with relevant stakeholders
6. Manages potential or actual conflicts of interests in their engagement

Ruffers engagement policy, responses to the UK and Japan stewardship codes, voting policy and climate change policy are available on our website.

SRD II also requires annual reporting on the policy's implementation, including a general description of voting behaviour, votes cast, an explanation of the most significant votes and the use of proxy advisors. Ruffer's engagement and voting activities are reported in our annual Responsible Investment Report, ruffer.co.uk/responsibleinvesting

1 Monitors investee companies on relevant matters

As an absolute return manager with a relatively concentrated portfolio of equity holdings, we endeavour to fully understand a company's risks and opportunities, including relevant ESG considerations. Therefore, our analysis and monitoring of companies focusses on its strategy, financial performance and risk and its capital structure along with ESG considerations. As we have one investment approach and conduct our own research, we are able to systematically integrate these considerations across our research and investment processes. Our decision to invest in companies is therefore based on both fundamental and ESG analysis which also informs our stewardship activities, including engagement and voting. Outcomes from our engagement and voting activities are also incorporated into our analysis of the companies and effect our investment theses.

Our policy with respect to responsible ownership reflects both our specific investment objectives and approach and the resources we can dedicate to these matters. Despite Ruffer remaining a modest sized institution within the context of global investment institutions, we devote considerable resource to investment research, monitoring and engagement with companies. We believe that stewardship is as much about responsible ownership as a considered approach to selecting companies.

All companies Ruffer invests in for its clients are monitored by dedicated ESG representative, a member of the responsible investment team or an ESG champion, as well as analysts on Ruffer's research team. Ruffer typically has in excess of 1,500 meetings with companies each year. There is an ongoing programme of meetings with chairmen and nonexecutive directors. Discussions may include, but are not limited to, business strategy, acquisitions and disposals, capital raises and operational financing, risk management, culture, board effectiveness, succession planning, shareholder rights, corporate responsibility, sustainability and remuneration. Monitoring is oriented towards identifying potential problems at an early stage in order to minimise any loss of shareholder value by Ruffer's clients.

We monitor companies by

- engaging the board and senior management of investee companies directly, usually in 'one-to-one' meetings at Ruffer's or the company's offices
- studying of company statements and third-party reports
- attending annual general meetings
- meeting with advisors and sell-side analysts
- the use of screening tools to assess governance and related risk indicators
- ad hoc reviews on a company based on both specific and sectoral analysis

The processes for monitoring, engaging and escalating are undertaken by Ruffer's research and responsible investment teams and are overseen and monitored by the Investment Review Committee, which reports to Ruffer's Executive Committee.

2 Conducts dialogues with investee companies

Ruffer believes that engagement is an effective tool to achieve meaningful change and we are committed to engaging with companies in which our clients' assets are invested on a wide range of topics. Engagement gives us an opportunity to improve our understanding of investee companies, which enhances our investment decisions. By engaging with a company to achieve specific goals, we are improving our understanding of the material ESG risks it faces, challenging its behaviour in relation to ESG considerations and in turn increasing its awareness of regulatory and societal changes. This is likely to result in superior outcomes and returns for our clients. Engagement also lets us share our philosophy and approach to investing and corporate governance with a company, and enhances its understanding of our objectives. We will engage on our own, or with other investors that share our concerns through collaborative initiatives.

We continually monitor our engagement with companies, and will use a variety of methods to achieve our objectives. 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. It is practical to consider the significance of our holdings in terms of issued share capital or as a percentage of our assets under management, however, engagement or escalation are not restricted to our major holdings. Actions are considered and undertaken on the basis of protecting and enhancing the interests of our clients.

When an issue is identified, Ruffer will usually raise it directly with the company, often with the management or members of the board to enable frank and forthright discussions to take place. If the outcome of this direct engagement is not satisfactory, Ruffer may consider escalation using a variety of different tactics with a range of stakeholders at the company including the investor relations team, management and/or non-executive directors. The particular approach that will be taken depends on the circumstances of each case and may change in light of progress by the company or other developments. It could include some or all of the following –

- additional meetings with company management and/or non-executive directors
- withholding support or voting against management
- collaboration with other investors
- making statements at AGMs
- co-filing of resolutions at AGMs
- divestment of shares

3 Exercises voting and any other shareholder rights

We believe in the power of engagement, but we have also found voting to be an effective tool if companies do not respond to our requests. We take the opportunity to vote seriously, as it enables us to encourage boards and management teams to consider and address areas that we are concerned about. Ruffer's policy is to vote on Annual General Meeting (AGM) and Extraordinary General Meeting (EGM) resolutions, including shareholder resolutions, as well as corporate actions. We apply this policy to both domestic and international shares, reflecting the global nature of our investment approach. We endeavour to vote on the vast majority of our holdings but we retain discretion to not vote when it is in our clients' best interests (for example in markets where share blocking applies).[1] For our flagship funds, it is our policy to vote on all holdings.

Research analysts, supported by our responsible investment team, review the relevant issues on a case-by-case basis and exercise their judgement, based on their in-depth knowledge of the company. We have internal voting guidelines as well as access to proxy voting research, currently from Institutional Shareholder Services (ISS), to assist the analysts in their assessment of resolutions and the identification of contentious issues. Although we are cognisant of proxy advisers' voting recommendations, in general we do not delegate or outsource our stewardship activities when deciding how to vote on our clients' shares.

1 Share blocking restricts investors who intend to vote at an AGM or EGM from selling their shares for a specified amount of time

The annual disclosure must include a general description of voting behaviour, an explanation of the most significant votes and reporting on the use of the services of proxy advisors.

At Ruffer we deem holdings in our flagship funds, LF Ruffer Absolute Return Fund (RARF), LF Ruffer Total Return Fund (RTRF), Ruffer Total Return International (RTRI), Ruffer Investment Company (RIC), Charity Assets Trust (CAT), as most significant. We vote on our total shareholding of the companies held within these funds. Voting on companies not held within these funds is subject to materiality considerations.

For more information please refer to Ruffer's voting policy at ruffer.co.uk.

4 Collaborative engagement

There are occasions when collaboration with other investors may be the most productive way to engage. This could be in situations where other investors share our concerns or independent engagement has not produced a desirable outcome. Collaborative engagement can also provide a platform to engage on wider sector, regulatory and policy matters with investors and other stakeholders. Ruffer is open to working alongside other investors on both policy and company specific matters. The decision to collaborate on company specific matters will be judged on a case-by-case basis by the responsible investment team with input from research analysts and portfolio managers as well as the legal and compliance teams.

Ruffer's responsible investment team engages regularly with formal and informal groups on ESG issues and facilitates Ruffer's involvement in collaborative engagements. For example, we support both Climate Action 100+ and the Transition Pathway Initiative.

Due to the scale and global nature of climate change, a number of shareholder initiatives, including Climate Action 100+, have been launched. We believe in the power of collaborative engagement and were a founding investor signatory to this initiative, as well as being a member of the Institutional Investor Group on

Climate Change (IIGCC). By becoming a signatory to Climate Action 100+, we acknowledged in our sign-on statement, that we 'are aware of the risks climate change presents to our portfolios and asset values in the short, medium and long-term. We therefore support the Paris Agreement and the need for the world to transition to a lower carbon economy consistent with a goal of keeping the increase in global average temperature to well below 2°C above pre-industrial levels'.[2]

As part of Climate Action 100+, we are actively involved in the working groups engaging with a number of European and American companies. For those companies in which our clients' assets are invested that are not part of the Climate Action 100+ initiative, we are continuing to engage on a wide range of climate-related issues that we deem important. We are supportive of the IIGCC's shareholder resolution subgroup and we think that shareholder resolutions are likely to have an increasingly important role to play in the years ahead. We see shareholder resolutions as a useful communication tool when engagement has not been successful as it gives companies a clear picture of the preferences of their shareholders.

5 Cooperates with other stakeholders

As part of our commitment to the IIGCC and the PRI, we have had discussions with a variety of stakeholders through industry initiatives, including policy makers, NGOs and think tanks. Our responsible investment team works closely with our Regulatory Policy Director in responding to policy consultations. We have responded to a Financial Conduct Authority (FCA) consultation regarding shareholder engagement and two European Securities and Markets Authority (ESMA) consultations on the integration of sustainability risks in MiFID II. We have also engaged on these topics through Personal Investment Management & Financial Advice Association (PIMFA) and the Investment Association (IA).

6 Conflicts of interests

Ruffer is a partnership, and this structure aligns our interests with those of our clients. Our senior staff share in the long-term profitability of the firm, so they are interested in investment returns and client relationships that are sustainable. Where conflicts of interest on voting or engagement exist between Ruffer, and/or a particular client and our wider client base, it is Ruffer's policy to act in the best interests of all our clients. In order to further eliminate potential conflict of interests, the justifications and the decision making process on every item are clearly documented.

2 climateaction100.org