



# Response to ESG Questionnaire Ruffer

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## Introduction

The issue of defining ESG and how individual companies express their specific values is now at the forefront of many of our clients' minds. We have researched SRI funds for many years now and have a separate rating category, but we acknowledge that this is now a mainstream strategy for an increasing number of investors and ESG issues are impacting all funds, not just those designated responsible or SRI.

In order to understand each company's stance on ESG factors at the corporate level, and how this is built into the investment managers' research and process we ask all our rated fund managers four questions:

- Please provide an overview of any Responsible Ownership/Stewardship strategy that your business follows.
- Please provide an overview of how ESG is integrated into your business.
- Does your business have a policy of excluding any companies or sectors from all strategies managed? If yes, please provide further details.
- What improvements (if any) have been made over the past 12 months within your business to the points highlighted in the previous questions?

The responses given by Ruffer are shown here.

### **1. Please provide an overview of any Responsible Ownership/Stewardship strategy that your business follows.**

Ruffer's responsible ownership/stewardship strategy has not changed since 2023 but I have included an updated overview based on our Responsible Investment Policy

Environmental, social and governance (ESG) considerations are sources of both opportunity and risk and are thus potential contributors to investment performance. As such, they are one of the important sub-set of the risks and opportunities we consider in our fundamental investment analysis to help guide security selection and portfolio construction. Because our investment approach is unconstrained, our responsible investment analysis aims to raise red (or green) flags, not fix red lines.

Our Responsible Investment Policy is based on the twin pillars of integration and stewardship.

- Integration refers to the incorporation of potentially material ESG factors into our fundamental analysis of individual securities.

- Stewardship has two components: engagement with companies to encourage their progress on relevant ESG considerations; and proxy voting to represent the interests of our clients, further the aims of our engagements and, where appropriate, show support for management.

In summary, we believe investing responsibly is an essential driver of better long-term outcomes for our clients and investors.

## 2. Please provide an overview of how ESG is integrated into your business.

We have a dedicated Responsible Investment (RI) team which is led by Alex Jamieson. Alex is supported by Kevin Paul (Director), Peter Lunt (Manager), Alexia Palacios (Analyst), Eleanor Moriarty (Associate) and Efua Irabor (Associate). We have a collaborative research process, with ESG factors forming a part of our fundamental analysis. Although Ruffer is a modest size relative to many global investment institutions, we devote considerable resource to investment research, monitoring and engagement with companies. That said, our capacity is finite, so we focus our efforts where they can have the greatest impact.

### Equities

We draw qualitative and quantitative considerations from both internal and external research and formal and informal data sources. MSCI ESG Research is our primary source of ESG data, metrics and ratings. The Sustainability Accounting Standards Board (SASB) framework provides us with guidance on material issues to consider at company level (see appendix for a list of issues considered). Institutional Shareholder Services (ISS) provides proxy voting research and the platform to exercise our votes for equity securities. We grade the level of ESG due diligence required for equities depending on certain materiality thresholds such as, but not limited to, the size of the holding, the proportion of issued share capital held by Ruffer, or third party ESG ratings

- for every holding, we complete a standardised ESG summary of risks and recent controversies
- for holdings we consider material, a more extensive due diligence task is conducted collaboratively between the Research Analyst and the Responsible Investment Specialist

Each assessment covers potential areas for engagement, with materiality driving our decisions on where to focus our resources. Throughout our holding period, the security owner is responsible for keeping ESG considerations under review and for proxy voting at company annual general meetings and extraordinary general meetings (AGMs and EGMs).

### Sovereign bonds

We have developed a proprietary model to assess sovereign ESG risks, consisting of country-level indicators to gauge each sovereign issuer's exposure. We include environmental inputs ranging from renewable energy usage to waste recycling and population studies assessing physical climate risk in low-lying areas. Social and governance indicators are equally broad, including health and education, female participation in the labour force and measures of political stability and corruption. This tool gives us a country-level ranking based upon these ESG risks.

### Protective Strategies

We invest in derivatives, both directly and through third party funds, and in credit securities via third party advisors. We cannot take an active ownership role in the management of these instruments and securities because Ruffer predominantly holds interests in indices (whose underlying assets we have no visibility on), rates or currencies which may not direct relate to any one company, issuer or security.

## 3. Does your business have a policy of excluding any companies or sectors from all strategies managed? If yes, please provide further details.

With regards to exclusions of companies or sectors in general, we do not impose our views regarding ethical exclusions, instead we strive to be active stewards of our clients' assets. As ESG considerations are integrated into our investment approach, some companies have been excluded from investment.

We apply restrictions through software provided by MSCI ESG Research, our third-party ethical screening and research provider, who offer a wide range of exclusion criteria to ensure our clients' preferences are met. These cover specific exclusion criteria such as tobacco companies, to broader issues such as whether a company is deemed to comply with the principles of the UN Global Compact.

**4. What improvements (if any) have been made over the past 12 months within your business to the points highlighted in the previous questions?**

During 2023, Ruffer consolidated several legacy policies and statements related to ESG into a single document, the Responsible Investment Policy which is publicly available and encapsulates the Ruffer approach to ESG. It applies, except where stated, to all funds including the Ruffer Total Return Fund and Ruffer Diversified Return Fund and entities managed by Ruffer on behalf of its clients and investors. We have attached a copy of this.

In March 2023 we submitted our targets for the Net Zero Asset Managers initiative (NZAM). Further information about Ruffer's NZAM initiative can be found on our website. <https://ruffer.foleon.com/responsible-investment/2023-02-nzam/what-is-the-nzam-initiative>

**Important Notice**

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