CLIMATE TRANSPARENCY REPORT 2020

Ruffer LLP

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About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-AC7A8F21-BAF8-470E-9D91-ED6315AC600C/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as "private". Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the PRI website and on the Data Portal.

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

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Principles for Responsible Investment

TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	✓	Public				
SG 07.7 CC	-	Public				
SG 07.8 CC	✓	Public				
SG 13.1	✓	Public				
SG 13.2	-	Public				
SG 13.4 CC	-					
SG 13.5 CC	-					
SG 13.6 CC	-					
SG 13.7 CC	-					
SG 13.8 CC	-					
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.6 CC	✓	Public				
SG 14.7 CC	-	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	✓	Public				
SG 15.1	✓	Public				
SG 15.2	-	Public				
SG 15.3	-	Public				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

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ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
Name	Ruffer LLP
Signatory Category	Fund Management - Majority
Signatory Type	Investment Manager
Size	US$ 10 - 29.99 billion AUM
Main Asset Class	Multi-Asset
Signed PRI Initiative	2016
Region	Europe
Country	United Kingdom
Disclosure of Voluntary Indicators	89% from 38 Voluntary indicators

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Ruffer LLP

Reported Information

Public version

Strategy and Governance

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

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Investment policy

SG 01	Mandatory	Public	Core Assessed	General

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1	Indicate if you have an investment policy that covers your responsible investment approach.

SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 01.6 CC	Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation’s investment time horizon.

⦿ Yes

	Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.

At Ruffer, we believe that environmental, social and corporate governance (ESG) considerations contribute to the risk of an investment and so, to manage this effectively, we incorporate these considerations into our investment process. This is particularly important when the implications of climate change are considered, given the number of companies that are likely to be effected and the variety of ways this is likely to occur. Consequently, Ruffer considers the effects of climate change, including both the risks and the opportunities this presents, for all of our investments.

We have addressed transition risks predominately with companies in hard to decarbonise sector such as the oil and gas industry, steel and materials, and transportation.

Identified transition risks for the oil and gas industry are to be categorised in:

- Structural decline of the sector due to the ongoing energy transition to a low carbon economy - decreasing demand for its products
- Changes in the energy mix due to transition to a low carbon economy (risk and opportunity)
- Preparedness to manage transition risks
- Capex spent on projects most likely at risk - stranded asset risk
- Inability to respond to impending policy response and shareholder pressure
- Misalignment with goals of the Paris agreement
- Carbon regulation and taxes
- Increasing costs related to the implementation of emission reduction technologies

Ruffer believes in the power of collaborative engagement and so was a founding investor signatory to Climate Action 100+ initiative and is a member of the Institutional Investor Group on Climate Change (IIGCC) as well as the Investment Associations Climate Change working group.

Ruffer believes that engagement is an effective tool and so we are committed to engaging with those companies in which our clients' assets are invested. For those companies that make a significant contribution to global greenhouse gas emissions we are engaging to encourage them to adapt their business models to align with the transition to a low carbon economy. This includes fossil fuel producers, utilities companies and producers of energy intensive products. We also appreciate the significance of discussing with these companies why greater transparency with regards to climate change disclosure as well as tangible targets for greenhouse gas emissions reductions are important for investors.

At Ruffer, 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 its shareholder. Other climate change related issues on which we will vote and engage with companies include corporate and trade association lobbying. It is

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important to Ruffer that a company's policy on climate change is aligned with its lobbying activities and practices.

○ No

SG 01.7 CC	Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

◉ Yes

	Describe the associated timescales linked to these risks and opportunities.

One of the questions we have been considering in depth over the past few years is when demand for fossil fuels will peak. Ruffer's view is that this is likely to be in the early 2030s. There is no consensus on this, but estimates vary from the 2020s, with organisations such as Carbon Tracker predicting this could be as early as 2023, to the energy industry's estimate of 2040. Our view is more closely aligned with Carbon Tracker than the energy industry. However, we think pinpointing a precise year gives a misleading sense of accuracy.

Why do we believe that oil demand will peak closer to 2030 than 2040?

1. With global energy-consumption growth estimated at 1.3% per annum, the associated carbon emissions will far outpace the reductions required to meet the goals of the Paris Agreement. We expect this to put more pressure on the speed of the energy transition to low-carbon energy sources.
2. The cost of generating energy from solar and wind resources continues to fall dramatically, while the technology has advanced to a stage where even without subsidies, renewables are at least as attractive as fossil fuels.
3. We expect the speed of transition towards electric vehicles (EVs) to be faster than the energy industry expects. Battery technology continues to improve at a rapid rate and mass production is resulting in a rapid decline in costs. EVs are expected to be cost competitive with internal combustion engine vehicles within a short period of time.
4. China continues to invest heavily in renewable infrastructure in the short term, driven by non-economic criteria, such as concerns over air pollution.

However, the transition to low-carbon energy will not be simple and may generate some unintended consequences. Serious bottlenecks are likely to slow down the pace of renewable energy development. For example, due to the intermittent nature of wind and solar power, the storage of energy generated from renewables during peak days is becoming a barrier to further investments in renewables in some countries and regions. The need for battery storage to compensate for this is making energy-storage technologies of increasing interest to us.

○ No

SG 01.8 CC	Indicate whether the organisation publicly supports the TCFD?

◉ Yes

○ No

SG 01.9 CC	Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

◉ Yes

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	Describe

At Ruffer, we believe that environmental, social and corporate governance (ESG) considerations contribute to the risk of an investment and so, to manage this effectively, we incorporate these considerations into our investment process. Ruffer only has one investment strategy, which is applied across all portfolios and funds and ESG integration and active ownership are a core part of this strategy.

Identify

The Responsible Investment team is present and involved in idea generation research meetings guiding and advising in particular on climate-related issues, inlcuding raising red flags but also opportunities at the earliest stage in the research process. For example, the Responsible Investment team participates in Ruffer's Energy Group and updates fundamental analysts regularly on regulatory changes with regards to climate change, such as carbon taxes, but also transition risks, technology disruption and peak oil.

Manage

The Responsible Investment team, supported by a number of ESG champions in the portfolio management and research teams, prepares for each stock review materials that present a bottom-up analysis of the ESG and climate related risks/opportunities and respective timeframes for each individual company which will be discussed with fundamental analysts and portfolio managers. These considerations inform the conviction level for each stock. If conviction is high, the stock will be bought for portfolios and potential risks identified through our analysis will be integrated into our active stewardship programme. For example, we are proactive in managing the risks in relation to the oil majors by collaboratively engaging via Climate Action 100+ as well as co-filing shareholder resolutions on climate related issues if we think this is appropriate.

Constructing portfolios

Ruffer's ability to construct segregated portfolios gives us the flexibility to incorporate client specific ethical investment restrictions into the management of portfolios. We currently use MSCI ESG Research as our screening and research provider and this allows us to include restrictions in relation to fossil fuel companies if desired. One advantage of a segregated portfolio is the transparency it provides, and this gives comfort to our clients that we are investing in line with their ethical investment restrictions.

We plan to further align our client disclosures and reporting with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

Managing our carbon footprint

In addition to considering the greenhouse gases emitted by the companies in which we invest, it is prudent for us to consider the emissions from our own business. Consequently, Ruffer has decided to calculate its carbon footprint. We believe this will allow us to focus on how best to reduce our greenhouse gas emissions and we offset these emissions.

○ No

SG 1.10 CC	Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

☑ Public PRI Climate Transparency Report

☐ Annual financial filings

☑ Regular client reporting

☐ Member communications

☐ Other

☐ We currently do not publish TCFD disclosures

Governance and human resources

SG 07 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

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SG 07.5 CC	Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

	Board members or trustees

☑ Oversight/accountability for climate-related issues

☐ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

☑ Oversight/accountability for climate-related issues

☐ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Portfolio managers

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Investment analysts

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Dedicated responsible investment staff

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	External managers or service providers

☐ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

SG 07.6 CC	For board-level roles that have climate-related issue oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

The Head of Responsible Investment currently reports to the CEO formally every three month and intermittently on an ad hoc basis. We have formalised an overall governance structure with a steering committee which will oversee strategy and risk management with regards to ESG and climate change, including responding publicly to initiatives such as the Taskforce for Climate-related Financial Disclosures. Ruffer came a signatory to the TCFD in 2019.

The Head of Responsible Investment advises and reviews decisions made on climate-related issues and has ultimate oversight over Ruffer's engagement theme on climate change. The Responsible Investment team advises Ruffer's Energy Group on how to analyse companies' forward looking assumptions made as part of their scenario analysis in line with the 2 degree trajectory as defined by the Paris Agreement.

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The Responsible Investment team has helped the Charity Team to review Ruffer Charity Assets Trust with regards to including a new set of climate related criteria and carbon foot-printing mechanisms.

The board has oversight and approval responsibility on climate-related processes and targets. One of the targets set in 2018 was to carbon-footprint Ruffer's business and make it climate-neutral by offsetting these emissions by purchasing carbon credits from projects chosen by Ruffer employees.

SG 07.8 CC	Indicate how your organisation engages external investment managers and/or service providers on the TCFD recommendations and their implementation.

☐ Request that external managers and/or service providers incorporate TCFD into mainstream financial filings (annual financial reports, other regulatory reporting or similar)

☐ Request incorporation of TCFD into regular client reporting

☐ Request that external managers complete PRI climate indicator reporting

☐ Request responses to TCFD Fund Manager questions in the PRI Asset Owner Guide

☐ Other

☑ We do not engage with external managers and/or service providers on the TCFD recommendations and their implementation

ESG issues in asset allocation

SG 13	Mandatory	Public	Descriptive	PRI 1

SG 13.1	Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

☐ Yes, in order to assess future ESG factors

☐ Yes, in order to assess future climate-related risks and opportunities

☑ No, our organisation does not currently carry out scenario analysis and/or modelling

SG 13.3	Additional information. [OPTIONAL]

We are currently developing Ruffer's response to the TCFD framework. Ruffer became a signatory to the TCFD in June 2019.

SG 14	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1

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SG 14.1	Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

☑ Changing demographics

☑ Climate change

☑ Resource scarcity

☑ Technological developments

☑ Other, specify(1)

	other description (1)

Water scarcity - we consider water scarcity as a macro theme in our long-term-thinking group; we also have a water scarcity company engagement programme;

☐ Other, specify(2)

☐ None of the above

SG 14.2	Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

☐ Established a climate change sensitive or climate change integrated asset allocation strategy

☐ Targeted low carbon or climate resilient investments

☐ Phase out your investments in your fossil fuel holdings

☐ Reduced portfolio exposure to emissions intensive or fossil fuel holdings

☑ Used emissions data or analysis to inform investment decision making

☑ Sought climate change integration by companies

☑ Sought climate supportive policy from governments

☑ Other, specify

	other description

Active stewardship - collaborative engagement and strategic voting

☐ None of the above

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SG 14.3	Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

☐ Scenario analysis

☐ Disclosures on emissions risks to clients/trustees/management/beneficiaries

☐ Climate-related targets

☐ Encouraging internal and/or external portfolio managers to monitor emissions risks

☐ Emissions-risk monitoring and reporting are formalised into contracts when appointing managers

☑ Weighted average carbon intensity

☑ Carbon footprint (scope 1 and 2)

☐ Portfolio carbon footprint

☐ Total carbon emissions

☑ Carbon intensity

☑ Exposure to carbon-related assets

☐ Other emissions metrics

☐ Other, specify

☐ None of the above

SG 14 CC	Voluntary	Public		General

SG 14.6 CC	Provide further details on the key metric(s) used to assess climate-related risks and opportunities.

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Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
Weighted average carbon intensity	☐ All assets ☐ Majority of assets ☑ Minority of assets	- Metric can be more easily applied across asset classes since it does not rely on equity ownership approach. - The calculation of this metric is fairly simple and easy to communicate to investors. - Metric allows for portfolio decomposition and attribution analysis.	tons CO2e / $M revenue	Unlike the next three metrics, Scope 1 and Scope 2 GHG emissions are allocated based on portfolio weights (the current value of the investment relative to the current portfolio value), rather than the equity ownership approach (as described under methodology for Total Carbon Emissions). Gross values should be used.
Carbon footprint (scope 1 and 2)	☐ All assets ☐ Majority of assets ☑ Minority of assets	- Metric may be used to compare portfolios to one another and/or to a benchmark. - Using the portfolio market value to normalize data is fairly intuitive to investors. - Metric allows for portfolio decomposition and attribution analysis.	in tons CO2e / $M invested	Scope 1 and Scope 2 GHG emissions are allocated to investors based on an equity ownership approach as described under methodology for Total Carbon Emissions. The current portfolio value is used to normalize the data.
Carbon intensity	☐ All assets ☐ Majority of assets ☑ Minority of assets	- Metric may be used to compare portfolios to one another and/or to a benchmark. - Metric takes into account differences in the size of companies (e.g., considers the carbon efficiency of companies). - Metric allows for portfolio decomposition and attribution analysis.	in tons CO2e / $M revenue	Scope 1 and Scope 2 GHG emissions are allocated to investors based on an equity ownership approach as described under methodology for Total Carbon Emissions. The company's (or issuer's) revenue is used to adjust for company size to provide a measurement of the efficiency of output.
Exposure to carbon-related assets	☐ All assets ☐ Majority of assets ☑ Minority of assets	Metric can be applied across asset classes and does not rely on underlying companies' Scope 1 and Scope 2 GHG emissions.	expressed in $M or percentage of the current portfolio value.	This metric focuses on a portfolio's exposure to sectors and industries considered the most GHG emissions intensive. Gross values should be used.

SG 14.8 CC	Indicate whether climate-related risks are integrated into overall risk management and explain the risk management processes used for identifying, assessing and managing climate-related risks.

○ Processes for climate-related risks are integrated into overall risk management

◉ Processes for climate-related risks are not integrated into overall risk management

	Please describe

We are currently developing Ruffer's approach to integrating the TCFD requirements strategically into our risk management process.

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SG 14.9 CC	Indicate whether your organisation, and/or external investment manager or service providers acting on your behalf, undertake active ownership activities to encourage TCFD adoption.

◉ Yes

	Please describe

Ruffer is a founding signatory to Climate Action 100+ (CA 100+) and is actively involved in engaging with investee companies. We support the aims of CA 100+ for these companies over a five year period. We aim to address the following TCFD aligned issues with the companies:

5. Governance: implement a strong governance framework which clearly articulates the board's accountability and oversight of climate change risk and opportunities.
6. Action: take action to reduce greenhouse gas emissions across their value chain, consistent with the Paris Agreement's goal of limiting global average temperature increase to well below 2° celsius above pre-industrial levels.
7. Disclosure: provide enhanced corporate disclosure in line with the final recommendations of the Task Force on Climate-related Financial Disclosures and, when applicable, sector-specific Global Investor Coalition on Climate Change Investor Expectations on Climate Change to enable investors to assess the robustness of companies' business plans against a range of climate scenarios, including well below 2° celsius, and improve investment decision-making.

Ruffer is in CA 100+ working groups for BP, Equinor, ExxonMobil, Royal Dutch Shell, and is co-leading the engagement with ArcelorMittal.

We encourage companies through our commitment to Climate Action 100+ to align governance structures and public disclosure with the framework the TCFD has put together. We have pushed ExxonMobil and Imperial Oil in particular to adopt the TCFD framework.

○ No, we do not undertake active ownership activities.

○ No, we do not undertake active ownership activities to encourage TCFD adoption.

SG 15	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1

SG 15.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

○ Yes

◉ No

SG 15.4	Please attach any supporting information you wish to include. [OPTIONAL]

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