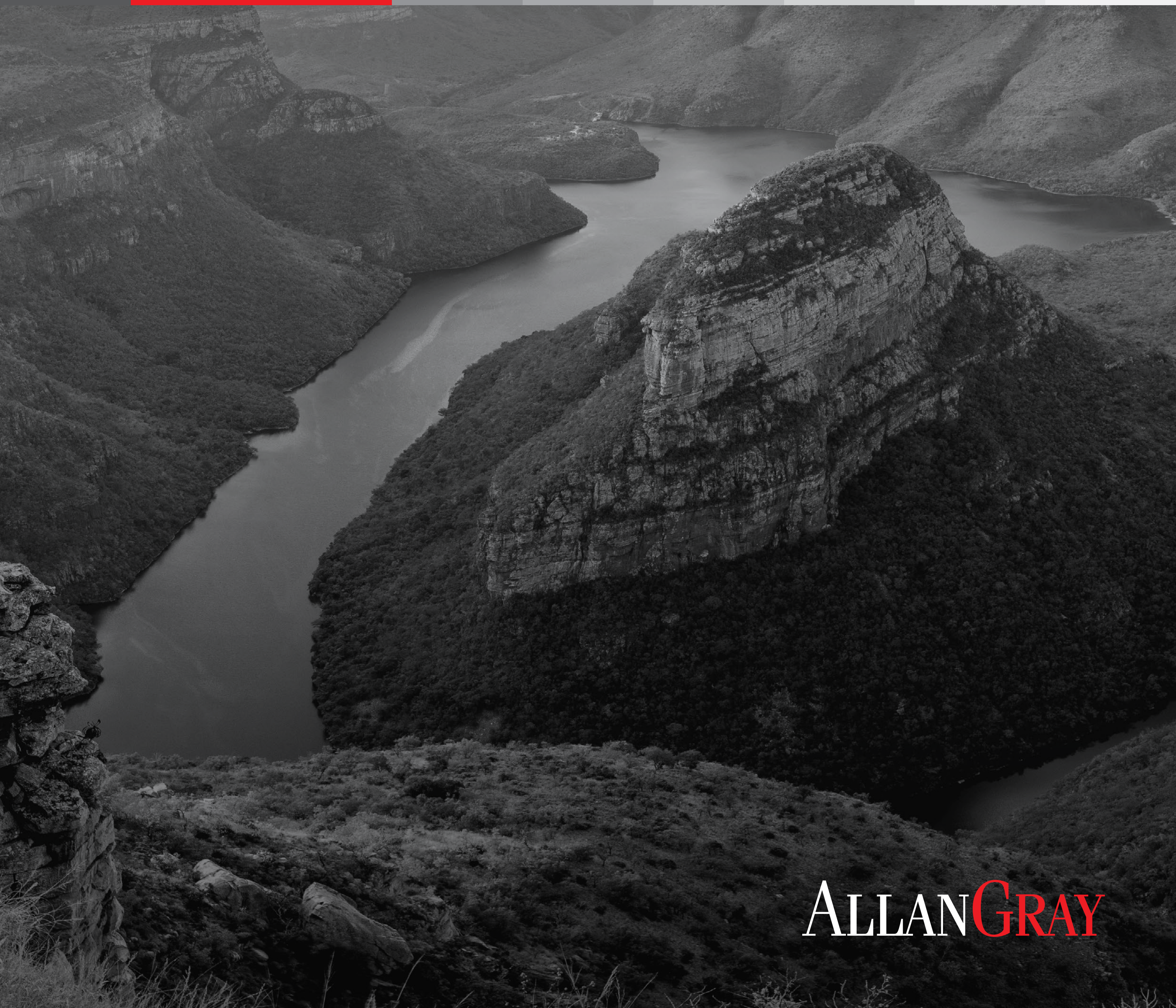
10th edition

Integrated Stewardship Report

2024



Allan Gray

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Integrated Stewardship Report

Introductory comments from the chief investment officer, Duncan Artus

Since our inception, we have had a strong focus on exercising our stewardship responsibilities on behalf of our clients and held the view that a company that does not operate in a sustainable manner undermines its own profitability over time.

Our 2024 Integrated Stewardship Report marks the 10th edition that Allan Gray has published for our clients. However, we have had a strong focus on exercising our stewardship responsibilities on behalf of our clients since our inception in 1973. We have long held the view that a company that does not operate in a sustainable manner undermines its own profitability over time. This long-term mindset sits at the heart of our investment philosophy.

Our annual Stewardship Report was introduced to share our approach to environmental, social and governance (ESG) integration and shareholder action and provide examples of our activities and updates on year-on-year developments. We also use the opportunity to reflect on the broader context in which we operate and update clients on noteworthy changes and concerns.

THE GLOBAL CONTEXT

More than 50% of the global population experienced an election year in 2024 – the highest percentage in a single year in modern history. In a tale as old as time, voter frustration over several years of high inflation and cost-of-living crises, accompanied by shifts in sentiment towards perceived political elites, was reflected in big upsets at the ballot box. Portfolio manager Thalia Petousis unpacked the great election year in her article aptly titled "The bonfire of the incumbents". Most notably, Donald Trump's recent return to the White House is likely to lead to a greater US-China power struggle and a pivot in US energy and climate policies (among other disruptions, some of which are already underway).

The growing dissatisfaction with inflation and cost-of-living increases poses an interesting conundrum. Over the past few years, sentiment towards green policies (particularly those that advance the energy transition) has been favourable in the developed world, which has had a ripple effect into the developing world – think of South Africa aiming to escalate our carbon tax, in large part due to the EU planning to implement its carbon border adjustment mechanism. While the long-term implications are debatable, many of these policies are inherently inflationary in the short term. This is because they price in the "negative externalities" of economic activities, particularly greenhouse gas emissions, that previously went unpriced. Taxes are invariably passed on to consumers, and consumers vote political parties in, or out. The EU saw months of farmer protests in 2024 over growing environmental regulations increasing the cost of business, among other grievances. Might voter sentiment shift further away from "green parties" as the rubber hits the road? As we have often said, the ESG pillars do not exist in silos; there are many moving parts, interrelationships and trade-offs – both real and perceived.

As social concerns climb back up the political agenda, artificial intelligence (AI) and the fundamental restructuring of our economies that it may bring about is the elephant in the room. In 2024, tens of thousands of US dockworkers went on strike, with a key grievance being that increasing automation at ports would lead to job losses. They were seeking contractual protections against this. The strike was the largest stoppage of its kind in nearly half a century, and we expect it may be a foreshadowing of significant labour unrest in other sectors as AI threatens to alter employment as we know it. Also worth noting is that Geoffrey Hinton – known as the "godfather of AI" and co-awarded the 2024 Nobel Prize in Physics for his foundational AI work – famously resigned from Google in 2023 so that he could share his concerns more freely about the risks posed by unconstrained AI development. AI is in many ways a positive breakthrough for society, but the waters are uncharted, and the risks are high, too. This highlights another key point

– that a company or sector's impact is seldom binary, i.e. "good" or "bad". Usually, there are positive and negative impacts and mitigating factors to weigh up, and we try to evaluate these as holistically as possible, recognising that we live in an imperfect world.

For this reason, we have been vocal about oversimplifications in the ESG movement, including in the introduction to our 2022 Stewardship Report. For a long time, energy and defence stocks were labelled "bad" and ESG-labelled funds typically tilted towards technology stocks (often due to their low direct carbon footprint). But the latter sector is not without significant concerns: the debate over freedom of speech versus censorship, the spread of hate speech and extremism, the rapid proliferation of misinformation, antitrust issues, child exploitation risks, and the impact of the smartphone era on childhood. Social psychologist Jonathan Haidt sounds the alarm on the latter in his 2024 book, *The Anxious Generation: How the Great Rewiring of Childhood Is Causing an Epidemic of Mental Illness*, highlighting how smartphones have made children sedentary, anxious and depressed. On the other hand, in January 2025, a NATO senior official heavily criticised Western rating agencies and pension funds for being "stupid" in shunning defence investments, arguing that more holistic thinking is needed versus such binary stances in the wake of Russia's invasion of Ukraine and heightening geopolitical tensions. Five to 10 years ago, nuclear power was considered a swear word in many regions. Today, sentiment has significantly changed to recognise its superiority as a baseload power source for a decarbonising world. The "conventional wisdoms" are certainly being challenged, as we expected they would be, given the complexity and fluidity of the issues we face.

In an ever-changing world, our investment philosophy, and within this, our approach towards ESG integration, remains steadfast (albeit striving towards improvements in our processes and the quality of research year-on-year). As we have discussed in prior stewardship reports, we have avoided the ESG fads and focused on the fundamentals – an approach that will endure in the face of ever-shifting sentiment. For example, we avoided joining a flurry of external collaborative ESG initiatives where we had concerns about value-add and potential changes in the commitments required over time. Subsequently, we have seen a number of asset managers backtracking on their memberships as challenges come to the fore.

THE LOCAL CONTEXT

Closer to home, we are concerned about some of the potentially stringent ESG and sustainability-related regulation on the table for South Africa. This is not because we are opposed to the goals; rather, we believe there are more constructive ways to work towards them. The experience playing out in the EU – deindustrialisation and regulatory burdens weighing on business – should serve as an example of the danger of poorly considered or excess regulation, particularly given South Africa's stagnant economy over the last decade.

South Africa's 29 May 2024 election outcome – which led to the formation of a government of national unity – ushered in a renewed sense of hope for South Africans after an exceptionally difficult few years. This was echoed by a sharp rally in "SA Inc" stocks. For the most part, the rally has been driven more by sentiment. For investment gains to endure, it is crucial that progress is made in addressing structural inhibitors to growth in the country. Allan Gray has contributed towards funding "Agenda 2024" of the Centre for Development and Enterprise, a respected policy think tank, which identifies urgent priority areas on which the new government should focus and makes practical, actionable recommendations within each. We hope this will make a positive contribution towards a better future for South Africans, and a better macroenvironment for South African-focused companies, which ultimately benefits shareholders, including our clients. That said, we continue to run a diversified portfolio for optimal risk management.

OUR APPROACH TO ESG

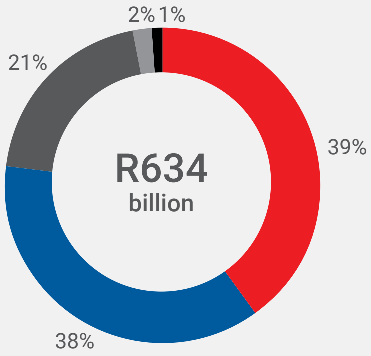
Over time, our ESG analysts have supported the Investment team with thematic research into electric vehicles, renewable energy roll-out, nuclear energy, mining safety benchmarking, political donations by listed companies, and many more topics that provide useful context for, and may influence, our investment decisions. We continue to believe that this type of research, together with company-specific deep dives, will add more value for our clients over the long term than a tick-box or scorecard approach to ESG evaluation. We focus on factors that are most material to business sustainability and the investment case, and our engagements on actions that are likely to shift the needle on client outcomes.

Two thought pieces in this year's report highlight recent examples of this research. Firstly, our governance analyst draws attention to the growing gap between financial statements and remuneration reports (see Annexure 3), given our ongoing focus on executive remuneration schemes as a key lever to align management's interests with those of shareholders such as our clients. Secondly, our environmental and social analysts provide an overview of critical water risks in South Africa (see Annexure 5), as well as case studies on how companies are responding and on some of our engagements both in terms of their vulnerabilities and impacts (see Annexure 4).

As I wrote in our 2023 Stewardship Report, responsible investing and being a responsible corporate citizen can mean different things to different people, but investment management is a business inherently built on trust. An asset manager needs to act and be seen to act with the highest integrity and standard of ethics. We are committed to this, not only in how we engage with the companies we invest in on our clients' behalf, but also in how we conduct ourselves as a business. I believe Allan Gray can continue to make a positive contribution to our clients, our industry, the economy and broader society.

1. KEY METRICS

Assets under management



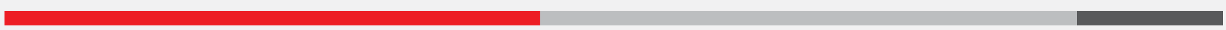
Foreign
Equities
Fixed interest
Commodities
Property

B-BBEE

2024
Level 1

Allan Gray Proprietary Limited was awarded Level 1 contributor status in terms of the Amended Financial Sector Code. Our B-BBEE status was verified by AQRate, an independent verification agency.

Investment team



13 portfolio managers

14 analysts

3 ESG analysts

Investment team engagements

610 engagements

(2023: 593)

(2022: 543)

281 companies or entities

(2023: 306)

(2022: 217)

273 discussions that included ESG topics

(2023: 297)

(2022: 303)

46 remuneration reports prepared

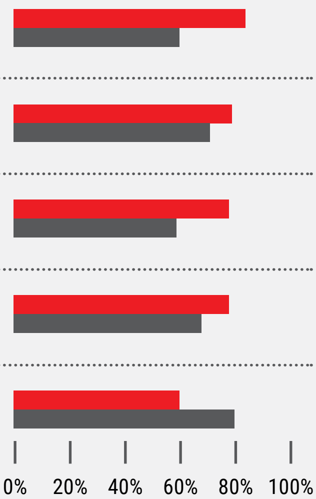
(2023: 56)

(2022: 51)

PRI scores[1]

★☆☆☆☆	★★☆☆☆	★★★☆☆	★★★★☆	★★★★★
(0-25%)	(26-40%)	(41-65%)	(66-90%)	(91-100%)

Module	Score
Policy, governance and strategy	★★★★☆
Direct - listed equity - active fundamental	★★★★☆
Direct - fixed income - SSA	★★★★☆
Direct - fixed income - corporate	★★★★☆
Confidence-building measures	★★★☆☆

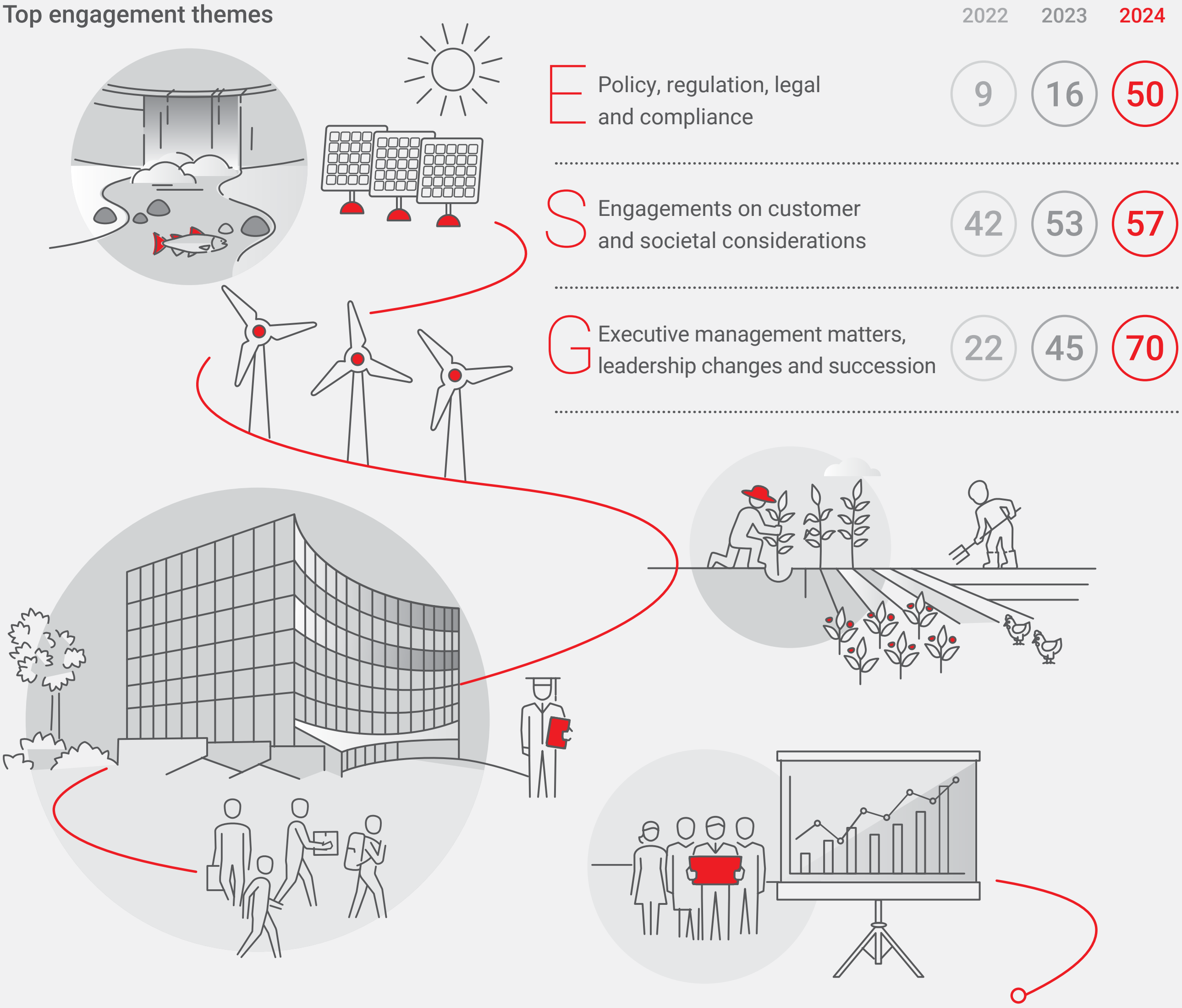


Allan Gray
PRI median

[1] The latest Assessment Report was issued in 2023. For more information on the Principles for Responsible Investment (PRI), its scoring methodology and Allan Gray's Transparency Report, please visit www.unpri.org.

Top engagement themes

		2022	2023	2024
E	Policy, regulation, legal and compliance	9	16	50
S	Engagements on customer and societal considerations	42	53	57
G	Executive management matters, leadership changes and succession	22	45	70



A breakdown of these engagements is provided in Annexure 1. For case studies, see annexures 2 and 4.

Proxy voting

2 386
resolutions

(2023: 1 921)

(2022: 2 132)

180
meetings

(2023: 140)

(2022: 158)

Voting recommendations

89%
for

(2023: 89%)

(2022: 91%)

11%
against or abstain (dissenting)

(2023: 11%)

(2022: 9%)

36% of our local dissenting votes are on executive remuneration. 27% of our votes relating to local remuneration policies and implementation reports are dissenting.

We provide our proxy voting record and unpack dissenting votes in Annexure 6.

2. STEWARDSHIP DEVELOPMENTS OVER TIME

ESG considerations have been integrated into our investment approach since the firm was established in 1973, as noted in the chief investment officer's comments on page 1. Here, we show some of the stewardship-related process and disclosure enhancements we have made in recent years.

2012

Published first responsible investment policies

Started publishing voting record online

Publicly supported Code for Responsible Investing in South Africa (CRISA)

2013 - 2014

Became a PRI signatory

Appointed first analyst dedicated to governance research

Made an ESG section compulsory in all research reports

2015

Created directors database

Published first Stewardship Report

2017

Appointed first environmental and social analyst

Introduced thematic ESG policy group meetings

Started reporting to Allan Gray's Social and Ethics Committee

2019

Published climate change position statement

Introduced Task Force on Climate-related Financial Disclosures (TCFD)-based reporting into our Stewardship Report

Benchmarked ESG performance against local and global peers

2020

Introduced politically exposed director screening

Started reporting to Allan Gray's Audit Committee

Began quarterly ESG meetings with our sister companies, Orbis and Allan Gray Australia

2021

Expanded the team of ESG analysts

Added ESG voting mechanism to investment process

Created controversies database

Created remuneration assessment framework

Improved categorisation and tracking of proxy votes

Launched new Institutional Clients website, with improved sustainability disclosure

2022

Improved directors database

Enhanced politically exposed director screening

Performed proxy voting coverage assessment

Enhanced portfolio carbon footprint analysis

2023

Introduced engagement type categorisation

Published ESG FAQs and climate primers

Created list of sanctioned auditors

Further enhanced politically exposed director screening

2024

Improved ESG voting function to reflect positive externalities

Expanded ESG voting to all regions

ESG minutes recorded for equity meetings across all regions

Disclosed operational carbon emissions

3. APPROACH TO RESPONSIBLE INVESTING

Sustainability is embedded in how we invest on behalf of our clients, operate our business and interact with society. We have always considered ESG factors as part of our investment process. We believe this holistic approach can improve investment returns, risk management and our ability to assist our clients to act as responsible owners. In other words, it protects our clients' interests as long-term investors.

AN INTEGRATED APPROACH

The essence of our approach has not changed since the firm was established in 1973. While ESG integration has always been part of our DNA, we strive for annual improvements. These include efforts to enhance the quality of our ESG research, engagements and proxy voting processes, refine our client-related disclosures, and participate constructively in industry, regulatory and policymaking initiatives.

We aim to do what we believe is right. This does not mean taking a binary view on investments, i.e. whether they are "good" or "bad", and making related portfolio inclusions or exclusions. We recognise that, unfortunately, there are often trade-offs that need to be weighed up between environmental, social, governance and economic considerations. For example, tackling climate change is a critical global priority, but in a developing country such as South Africa, the need to address socioeconomic issues, such as unemployment and inequality, is equally important in pursuit of a sustainable economy. We seek to evaluate these factors in a holistic and balanced manner.

OUR ESG RESEARCH PROCESS

Our ESG research is conducted in-house and integrated into our investment analysis across all asset classes and geographies. Investment analysts are responsible for researching ESG issues relating to the instruments they cover and highlighting these in their research reports. Both ESG risks and opportunities are factored into company valuations where material. For equities, earnings or cash flow may be adjusted if the risk is quantifiable, or the valuation multiple may be adjusted if the risk is significant but uncertain. For bonds, we look to compensate for higher risk in the spread. The team scrutinises, challenges and debates investment theses during team meetings where reports are reviewed.

In late 2021, we introduced an ESG risk rating system for instruments to encourage debate and the careful consideration of ESG risks at the aforementioned meetings. ESG considerations also factor into our separate internal risk ratings, which seek to ensure sufficient diversification through portfolio exposure limits based on the broader risk profile of an investment. If the risk profile is perceived as unattractive, we may avoid an investment.

When a portfolio manager decides to buy a share, accountability for the incorporation of sustainability considerations falls on that portfolio manager. Our chief investment officer (CIO) may veto investments by other portfolio managers in cases where he determines that the company's business practices are unethical. While we use a multiple portfolio manager system – where each portfolio manager manages a slice of the broader portfolio – and view it as key to our success, we believe it is necessary to have an additional level of oversight through the CIO's ethical veto. The Allan Gray board holds the CIO accountable, including for his use of (or decision not to exercise) this veto.

We continue to monitor ESG factors once we are invested. This is crucial because ESG issues are dynamic. The Investment team includes a governance analyst and two environmental and social analysts, who perform additional monitoring, in-depth research into identified risk areas and thematic ESG research. Additionally, our research library monitors company-specific ESG news and shares relevant news items with the team. **Figure 1** on page 7 captures our day-to-day ESG process.

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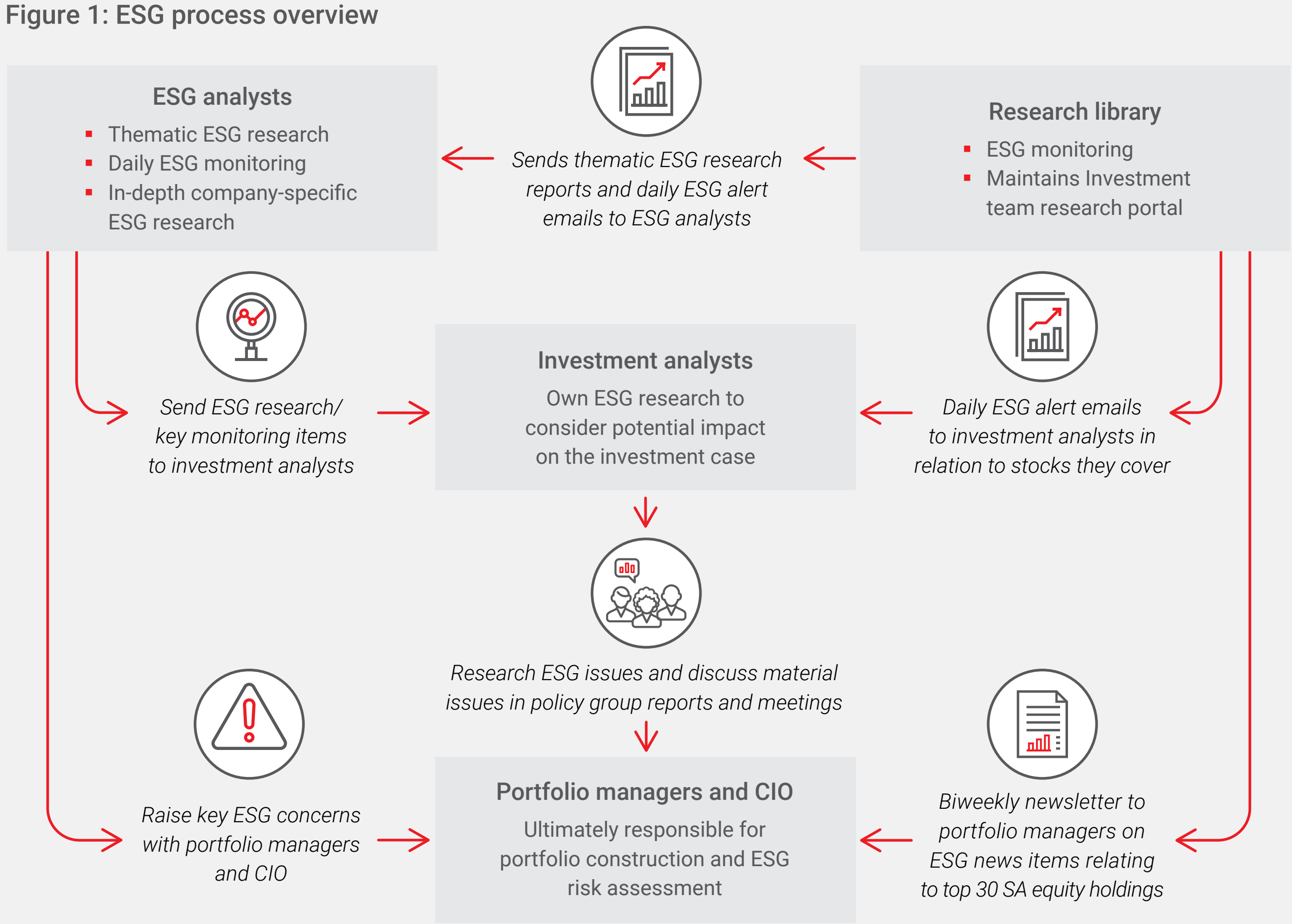
Figure 1: ESG process overview



ACTIVE OWNERSHIP

Good stewardship of our clients' capital also requires active ownership, which we effect through engagement with companies and proxy voting on resolutions tabled at shareholder meetings.

We engage frequently and meaningfully with both company boards and management teams – we elaborate further on this in Annexure 1. We do not use external proxy advisers and prefer to reach our voting recommendations independently. We think critically about the resolutions at hand and make a point of engaging with boards ahead of time if we have concerns. We publish our voting recommendations, together with the outcome of the shareholders' vote on each relevant resolution, on our website quarterly in arrears. A summary of our voting activity over the year is provided in Annexure 6.

We acknowledge that we are invested in companies that have negative environmental or social externalities, and we focus on understanding how they aim to reduce their impact. Investing in "ESG improvers" makes investment sense, as better ESG credentials are likely to be rewarded by the market if they signify a stronger or more responsible business. We believe in holding management teams and boards to account for their strategy and execution.

In addition to company engagements, we actively partake in industry initiatives that promote sound corporate governance and sustainable business practices.

We keep the following factors in mind in our approach to ESG:

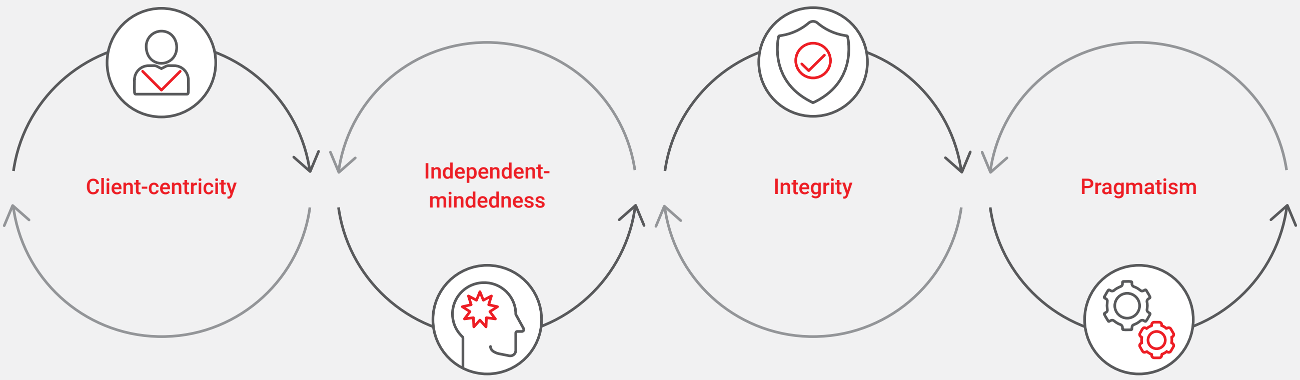
Client-centricity: Our core objective is to build long-term wealth for our clients. It is therefore crucial to serve as responsible stewards of our clients' assets by safeguarding their interests as investors. We aim to generate the best possible risk-adjusted returns for our clients, as responsibly as possible.

Independent-mindedness: Allan Gray has always followed a contrarian investment approach, and we strongly encourage and value independent thinking. Our approach to responsible investing is no different. We may not always do what is popular, but we consider it far more important to be authentic.

Integrity: In a world where accusations of "greenwashing" abound, we try to be as clear as possible about our ESG commitments and honest about the limits of what we can achieve.

Pragmatism: We live in an imperfect world where there are often

Figure 2: Factors we keep in mind in our approach to ESG



trade-offs involved in decision-making. We try to be realistic and pragmatic about these and make decisions that are in society's best interests. We recognise that not everyone will agree with our decisions and that, as with stockpicking, at times we may get things wrong. In such cases, we endeavour to learn from our mistakes and remain open to changing our views as more information comes to light.

Our responsible investment policies, available on our website and updated in December 2024, provide more detail on how we consider sustainability in the investment process and how we approach ownership responsibilities on behalf of our clients. Clients may also refer to our position statement on climate change to understand our thinking around the role we can play to support the transition to a lower-carbon economy, as well as our ESG and climate FAQs, which seek to provide insight into specific questions.

FIXED INCOME STEWARDSHIP

Bondholders and shareholders broadly share the same ESG concerns, but bondholders do not benefit from the same powers of ownership conferred on shareholders, for example they cannot vote to remove directors. Our engagement approach when it comes to fixed income therefore differs from that to our equity holdings.

We typically engage with debt issuers' management during debt investor roadshows, which frequently occur after financial results have been published or before an issuer intends to come to market with a new instrument.

In South Africa, we aim to play a constructive role by engaging with government on key matters through various channels, for example the Association for Savings & Investment South Africa (ASISA), or through direct engagement with policymakers on ESG-related matters such as the fiscus, corporate governance and the environment. In the case of corporates and parastatals, where we may be a more significant lender, we may request meetings with key management or write to the boards when specific issues arise. Most of the corporates in our fixed income investment universe are listed entities, which allows us to draw on our equity research process in assessing the creditworthiness of issuers.

STEWARDSHIP IN OTHER MARKETS

The principles underlying our approach to stewardship also apply to investments in other markets. However, our approach may be adjusted to reflect the complexities introduced by investing in both larger or less developed markets.

Weighing up ESG considerations in frontier and other African markets can be challenging, as disclosures are generally more limited than for JSE-listed companies. Furthermore, developing markets typically feature systemic ESG challenges, which, in turn, have implications for companies' operating conditions. Governance risk often includes heightened political risk at a macro level; even companies exercising good corporate governance remain vulnerable.

When making voting recommendations, we cover all resolutions tabled by those companies to which our clients have material exposure.

In terms of engagement, we accept that our clients' positions in major companies in developed markets may not be large enough to ensure the same level of access to management and the board that we typically enjoy in South Africa. More substantial disclosure mitigates this concern to some extent.

Similarly, in the case of fixed interest instruments issued by governments, our ability to influence policymakers in Africa outside South Africa is limited by the small size of a typical position in relation to the market capitalisation of the total debt in issue. Given our limited ability to bring about change using this method, our approach for these issuers focuses on research over direct engagement.

4. APPROACH TO ENGAGEMENT

Engagement is an integral part of our investment process.

ENGAGING DIRECTORS

Our objective in engaging with a company's directors is to further the best interests of our clients by encouraging the directors to act in a way that preserves and enhances shareholder value. We always aim to engage in a constructive manner, as we believe that constructive engagement is more likely to succeed than hostile engagement.

The chairperson or non-executive directors of a company may request meetings with us from time to time. These meetings are usually arranged to solicit feedback from shareholders on matters such as the company's broad strategy, executive remuneration and the performance of the executives. When offered these opportunities, we speak candidly and make our views clear.

Unless it would be contrary to the best interests of our clients to do so, we aim to inform a company's representatives prior to a shareholders' meeting if our clients, in aggregate, hold a material shareholding in the company and we intend to recommend voting against any of the resolutions. Often, this creates an opportunity to explain to the company's directors why we believe a resolution is not in the shareholders' best interests.

ENGAGING EXECUTIVES

Company executives regularly ask to meet with us. These meetings typically follow the announcement of the company's financial results. We use these meetings primarily to improve our understanding of the business of the company.

We believe that the responsibility for the day-to-day operations of a company rests with its executives, and that we probably have limited value to add in this regard. From time to time, we may believe that we can contribute to a company's deliberations about its broad strategy, particularly with regard to capital allocation. When offering our views, we try to do so with humility.

Should we identify strategic, sustainability or governance concerns and do not expect to have an opportunity to communicate our concerns to the management team, we may contact either the company's executive or non-executive directors to discuss these. We may communicate verbally, or do so in writing when we wish to place our concerns on the record.

ESG ENGAGEMENT

The way we engage on ESG concerns has evolved over time. In the past, we mainly engaged with executives; direct engagements with board representatives were few and far between. Nowadays, we typically engage with multiple stakeholders, including company boards and management teams, industry regulators, other industry participants, clients, civil society and activists.

An important driver of more frequent engagement was the development of the JSE Listings Requirements, which made it mandatory for companies to table their executive remuneration policies and implementation reports at annual general meetings from 2017. While these resolutions are advisory, they prompted "standing" governance engagements between shareholders and company representatives. In recent years, ESG measures have become more prominent in executive remuneration packages, which has meant that key environmental and social matters are often addressed as well.

These engagements typically exclude executive directors and may include the board chairperson, the remuneration committee chairperson and/or the company's E, S and G specialists – depending on which issues are discussed. Although these "standing" platforms are useful and an improvement from the past, they are not our only point of engagement.

Owing to the complexity and nuanced nature of environmental and social issues, many of which are interrelated, more focused engagements may be warranted. We prefer not to follow a formulaic approach to these engagements. They are mostly ad hoc, as the underlying drivers and objectives vary widely. Examples of engagement triggers include 1) thematic or company-specific research that has highlighted an ESG risk or opportunity for further discussion, and 2) adverse news prompting us to seek insight into whether the issue is being addressed appropriately.

While we engage proactively on environmental and social matters, governance engagements remain more frequent and are often undertaken with the intention of influencing outcomes. Studies have shown that companies with stronger governance practices typically perform better on environmental and social metrics. We firmly believe in pushing for the alignment of executive incentives with the interests of long-term shareholders to encourage a focus on long-term sustainability. A summary of our engagement activity is provided in Annexure 1.

ESG ENGAGEMENT CONSIDERATIONS

Over our history, we have learnt that the manner in which we approach our engagements is critical in achieving constructive outcomes. While not exhaustive, we consider:

Materiality

We prioritise engagements with companies that are material in our clients' portfolios, or companies in which our clients hold a material stake. This contrasts with engaging with every company held in the portfolios. Instead, we dedicate more time to researching and engaging on issues that have the biggest potential impact on our clients' portfolios or where we are most able to influence change.

Quality, not quantity

We are comfortable holding fewer, more meaningful engagements per year. We do not believe in contacting companies to discuss ESG issues on which they already report. We respect the time taken to prepare disclosures and always use them as a first port of call. We would like to develop a reputation with companies for high-quality ESG engagements that are mutually beneficial. This reputation should, in turn, allow us to have more influence.

Humility

We recognise that we are one of many stakeholders, and that companies undertake improvements of their own volition, therefore we avoid taking full credit for engagement outcomes. We also respect that boards may hear our views on strategy or executive performance and disagree with them. We prefer to engage with companies in private, recognising that private engagements are typically more constructive than public engagements, which may be perceived as hostile and result in defensive behaviour.

Purpose

We engage only with the aim of achieving better outcomes for our clients (and society, although this is complex and often subjective) and not for other reasons, such as publicity.

Proactivity

We aim to identify any potential ESG issues through thematic, sector- or stock-level research before they impact the business. We prefer to engage on these upfront, rather than when adverse news emerges (i.e. we aim to be proactive rather than reactive). Given the breadth of ESG factors, this is not always possible, but we have examples of detecting concerns and engaging before they make headlines.

ESG ENGAGEMENT CLASSIFICATION

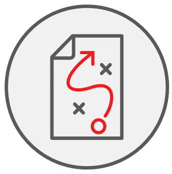
We classify our environmental, social and governance (ESG) engagements according to their objectives. The intention is to provide clients with greater insight into the nature of these engagements. We have grouped them into five broad categories:

Raised by the company

Fact-finding

Disclosure-enhancing

Influencing



Strategic intervention

- Engagements “**raised by the company**” refer to ESG topics raised by a company’s management team during results meetings or via other channels. While the depth of discussion varies, these are generally higher-level engagements than those listed below.

- “**Fact-finding**” engagements are often initiated by our Investment team when we enquire about a particular ESG issue to gain more insight. As discussed, sometimes a company’s management team and board members proactively offer opportunities to engage on ESG matters. Alternatively, we approach or are approached by third parties. Not everyone believes that a fact-finding exercise meets the definition of an engagement. The Principles for Responsible Investment (PRI), to which we are a signatory, defines engagements as “interactions between the investor and current or potential investees (which may be companies, governments, municipalities, etc.) on ESG issues. Engagements are undertaken to influence (or *identify the need to influence*) ESG practices and/or improve ESG disclosure.”[1]

  Our fact-finding engagements are mostly held to obtain more detail on an investee company’s material ESG risks, which may lead to further engagement if we have concerns around mitigation. Often, the outcome is that we obtain comfort with the current management thereof and do not take it further. However, given that fact-finding communications still require preparation (such as a detailed review of ESG reporting or the tracking of trends and metrics over time) and because they may help us identify areas that warrant more intensive probing, we believe they still qualify as engagements. While we use all resources at our disposal to delve into the detail of a company’s practices, it is also important to note that we are reliant on publicly available information and, in fact, prohibited by law from obtaining material, non-public information for investment decision-making. Therefore, appropriate limits are maintained.

- “**Disclosure-enhancing**” engagements include the querying of changes in investee companies’ ESG disclosures, for example why greenhouse gas emissions have been restated, or why a particular safety metric is no longer being disclosed. We believe that asking these questions enhances company disclosure by highlighting that investors are following the detail closely and that consistency and transparency are therefore important. We also engage to request additional disclosures or more clarity regarding certain disclosures, most notably on executive remuneration. This is particularly relevant in our clients’ Africa ex-SA universe, where we frequently provide suggestions on how executive remuneration disclosures can be improved.

  We do not believe in making broad-based requests in this category, for example emailing all companies in our clients’ portfolios to request that they comply with a particular disclosure framework. Detailed reporting is onerous and resource-intensive; we would therefore not expect an investee company with a small market capitalisation operating in one country to publish the same level of disclosures as a large-cap multinational company. It also may not be in shareholders’ best interest from a cost and complexity perspective. Instead, we focus on what is most material for each company and engage on a case-by-case basis.

- We appreciate that holding listed equities on behalf of our clients means that we can vote towards the election of board members who are accountable for a company’s governance, strategy, compliance and ethics thereafter. The executive management directs and executes strategy from an operational point of view. Shareholders, in turn, vote on how executives are remunerated.

[1] PRI Reporting Framework, Main Definitions, 2018

What does this mean? For the most part, we believe that the responsibility for the day-to-day operations of the company rests with its executives, and that we likely have limited value to add in this regard. Our most effective means of positively influencing management is to assist our clients in electing a competent and accountable board of directors, capable of providing critical oversight and ensuring that management incentive schemes are supportive of long-term shareholder value creation. In practice, however, this does not always work. For example, our clients may hold a small position in a company or a lower level of voting rights, depending on share classes. Given the range of shareholders, with varying opinions and interests, voting does not always effect the change we consider necessary. "**Influencing**" engagements are therefore an important part of active ownership.

Our ongoing governance engagements on executive remuneration serve as strong examples. When necessary, we push for improvements to the executive remuneration policy and the implementation thereof. We could request better disclosures on remuneration criteria (to enhance transparency and accountability) or attempt to improve the link between performance and pay. Often, the changes are incremental year-on-year but add up over time. In our 2021 Stewardship Report, we provided examples of some of our engagements that spanned multiple years but positively influenced the companies overall.

From time to time, we may believe that we can contribute to a company's deliberations over its broader strategy. When offering our views, we try to do so with humility. We are generally reluctant to take full credit for an "ESG outcome". We recognise that companies engage with many stakeholders and undertake their own benchmarking exercises. Sometimes, we may be one of many voices that have influenced change.

- The final category is when we engage to push for a "**strategic intervention**". Of course, this is the exception rather than the norm. We have a long history, spanning decades, of demonstrating that we are willing to step in more decisively to protect our clients' interests when required. Our 2022 Stewardship Report highlights some historical examples.

Annexure 1 includes a breakdown of the number of engagements across these categories for 2024.

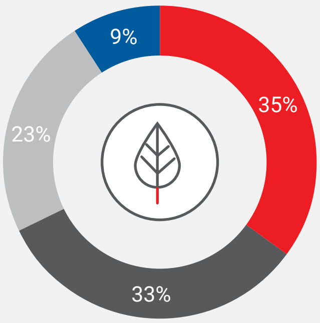
Annexures

ANNEXURE 1: ENGAGEMENT ACTIVITY

Our approach to engagement is discussed in section 4. Below, we summarise our engagement activity by type, as well as our ESG engagements for the year by theme and category.

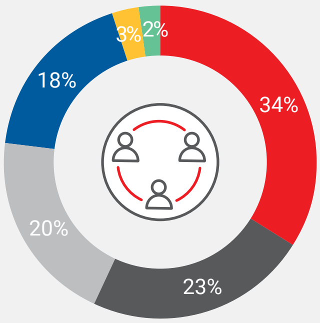
2024		Environmental	Social	Governance
Type of engagement	**Total number of engagements**	**Number of occasions when ESG issues were discussed**		
Meetings	387	76	98	141
Written correspondence	37	6	5	20
Site visits	24	2	3	1
Other forms of engagement	162	37	33	24
Total	**610**	**121**	**139**	**186**
2023	593	94	125	167
2022	543	115	139	185
2021	487	89	117	139
2020	412	51	95	129

Environmental engagements



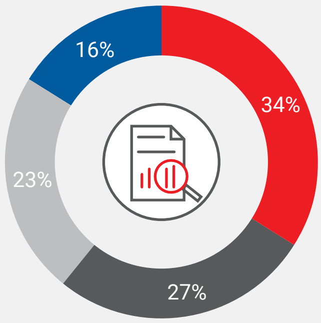
- Policy, regulation, legal and compliance
- Climate change, renewable energy and related
- Environmental considerations in the mining sector
- Other

Social engagements



- Customer and societal considerations
- Workforce and supplier considerations
- Policy, regulation, legal and compliance
- Community relations
- Other
- Transformation and B-BBEE

Governance engagements



- Executive management matters, leadership changes and succession
- Executive remuneration
- Other
- Board composition and governance

ESG engagements by category

137	104	36	25	6
Raised by the company	Fact-finding	Disclosure-enhancing	Influencing	Strategic intervention
(2023: 97)	(2023: 46)	(2023: 29)	(2023: 49)	(2023: 0)

ANNEXURE 2: GOVERNANCE ENGAGEMENT CASE STUDIES

ANGLOGOLDASHANTI

AngloGold Ashanti

Primary engagement objective	**Governance: Alignment of executive remuneration with performance**
Motivation for engagement	We wanted to continue engaging with AngloGold Ashanti concerning their executive remuneration.
Engagement category	▪ Influencing
Company representatives	▪ Remuneration committee chairpersons (incoming and outgoing) ▪ Chief people officer ▪ Vice president of Investor Relations
Allan Gray attendees	▪ ESG analyst ▪ Investment analyst ▪ Portfolio manager
Salient points from engagement	▪ Since the start of our engagement in 2021, when our clients built a material position, we have highlighted concerns over the single incentive structure employed by AngloGold Ashanti. As all performance-based pay is allocated based on a retrospective performance period, this makes the link between executive incentives and forward-looking, long-term performance conditions (and, in turn, our clients' investment horizon) less direct. ▪ We were pleased that AngloGold Ashanti proposed moving from the single incentive structure back to separate short- and long-term incentives as part of the remuneration policy tabled in 2024. ▪ The long-term performance period is a forward-looking, three-year measurement period with metrics such as relative total shareholder return (TSR). ▪ Relative TSR is particularly suitable for the mining industry, which faces external pressures such as volatile commodity prices and fluctuating exchange rates. The metric minimises the impact of external factors over a longer measurement period.
Supporting research	Internal remuneration assessment
Outcome	At the annual general meeting (AGM) relating to 2023 (in early 2024), we recommended in favour of the executive remuneration policy for the first time since 2021, as we believe the new structure of separate instruments significantly improves the alignment between executive and shareholders' interests. We continued to recommend against the implementation report (covering the outcomes for 2023), as that is still based on the previous policy. We are very pleased when remuneration committees continue to make positive improvements to their remuneration structures, despite their previous policies garnering strong shareholder support. AngloGold Ashanti's remuneration policy obtained 90% support at the AGM relating to 2022 and 95% support at the AGM relating to 2023. This demonstrates that there is always room to improve alignment and actively address shareholder concerns.
Further action	We will continue to engage with both management and the board. The focus going forward is on effective implementation of the new policy. We will monitor this as part of our annual internal remuneration research.

Telecommunications company	
Primary engagement objective	**Governance: Alignment of executive remuneration with performance**
Motivation for engagement	We wanted to continue engaging with the company concerning their executive remuneration.
Engagement categories	▪ Influencing ▪ Disclosure
Company representatives	▪ Remuneration committee chairpersons (incoming and outgoing) ▪ Head of Investor Relations ▪ Board chairperson ▪ Head of Reward
Allan Gray attendees	▪ ESG analyst ▪ Investment analyst ▪ Portfolio manager
Salient points from engagement	▪ As part of our annual remuneration engagements, the following areas are typically discussed: 1. The short-term incentive payouts 2. The long-term incentive (LTI) vesting during the period 3. The LTI granted during the period ▪ With this company, our core concerns related to point 2, the LTI vesting, which had a high vesting outcome relative to the period's performance. We disagreed with the results used to calculate the vesting outcome. ▪ Upon inquiry we learnt that adjustments were made to the results, such as the adding back of their loss-making division. ▪ This was concerning for many reasons, including: – We did not believe implementation was according to the metrics shareholders had approved in the 2021 remuneration policy. – We are strongly against one-sided adjustments of this nature. Management should not be rewarded by way of adjustments for investment decisions made today with an uncertain outcome. Should the investment be fruitful, executives will be healthily rewarded in future through their LTIs.
Supporting research	Internal remuneration assessment
Outcome	Our concerns lie with the questionable implementation of the 2021 remuneration policy. Prior to the AGM relating to 2024, we sent formal correspondence to the board outlining our recommendations and the rationale behind them. As we do not have significant friction points with the 2024 remuneration policy, we recommended that our clients abstain from the 2024 remuneration policy vote. Given the severity of our concerns, we recommended against the implementation report and against the reappointment of the outgoing remuneration committee chair, as he was up for re-election. We believe in director accountability. In this instance, the remuneration committee failed to exercise appropriate oversight of the LTIs vesting, as the incentives did not reconcile with performance.
Further action	Prior to the AGM, the resolution relating to the re-election of the outgoing remuneration committee chair was withdrawn. We will continue to engage with both management and the board. We look forward to positive improvements under the new remuneration committee chair.

ANNEXURE 3: GOVERNANCE THOUGHT PIECE: THE GROWING GAP – FINANCIAL STATEMENTS VERSUS REMUNERATION REPORTS

In 2017, the Johannesburg Stock Exchange (JSE) introduced a requirement for annual advisory resolutions on executive remuneration to be tabled. This has placed it firmly in the spotlight for shareholders and stakeholders alike. For us, inspecting how the top decision-makers are incentivised to act and think has always been part of the investment case. When executive pay is closely aligned with performance, executives are more likely to make value-accretive decisions and less inclined to pursue actions that erode value, ultimately preserving, and creating shareholder value on behalf of our clients.

Over time, executive remuneration structures have become increasingly complex. In theory, it should be simple. Executive incentives are usually delivered through two instruments: a short-term incentive (STI) and a long-term incentive (LTI). Both should be tied to performance conditions that reflect the short- and long-term value drivers of the business. Naturally, these performance indicators will differ by industry, as the value drivers for a mining company are not the same as those for a healthcare provider. How complex can it be?

Financial statements are prepared in line with established standards, such as International Financial Reporting Standards (IFRS) or Generally Accepted Accounting Principles (GAAP), which provide a robust framework for consistency and comparability. External assurance is provided according to the applicable standard. In stark contrast to this, there is no overarching standard for remuneration reports that ensures consistency or comparability, as demonstrated in **Table 1**.

We do have the King IV Report on Corporate Governance™ for South Africa, which includes disclosure requirements, but these are recommended practices. While King IV provides some standardisation for the broader elements of remuneration, there is a growing lack of consistency and transparency when it comes to **adjustments** for remuneration purposes, the **formulae** used for performance metrics, and the **methodologies** applied. We explore these issues with reference to an LTI with three performance metrics: earnings per share (EPS), return on invested capital (ROIC), and total shareholder return (TSR).

OVERLY ADJUSTED PERFORMANCE

Ideally, and as is the case for many companies, there should be no middle block in **Figure 1**, meaning no difference between the performance presented in the financial results to shareholders and the metrics used to measure executives' performance. For example, the EPS metric should align with either the IFRS basic or diluted EPS figure, or the JSE-mandated headline EPS metrics, which further exclude certain non-recurring and non-core items from the IFRS figure, as per established guidelines.

However, in some cases, companies go beyond these established adjustments and apply additional adjustments to these metrics specifically for remuneration purposes, removing what they consider to be factors outside management's control. While reasonable in theory, this extra layer of adjustments opens a realm of subjectivity, which, if left unchecked, can seriously distort performance used to assess executive pay from the true performance of the business.

Table 1: Comparison of financial statements and remuneration reports

FINANCIAL STATEMENTS	REMUNERATION REPORTS
▪ Audited by independent professionals ▪ Compliant with accounting standards ▪ Adhere to fixed accounting principles	▪ Prepared internally without external verification ▪ Lack an overarching standard ▪ Allow flexibility with formulae and adjustments

Figure 1: The path to performance metrics used in executive incentives

Below are examples of additional adjustments we have observed, which highlight the inconsistencies and risks associated with these practices:

1. A retailer added back the cost of loadshedding to their earnings metric, while peers operating in the same environment did not.
2. A telecommunications company excluded the cost of an IT-related project in the short term, even though such projects represent business-as-usual costs for a technology-driven business.
3. A company removed the effect of its loss-making division from its group earnings metric, because, at the time of the award, the division was not part of the business. There was no divisional incentive.

Risk of discretionary adjustments

Management's role includes effective capital allocation and avoiding unnecessary or wasteful expenditure. It is a very slippery slope to carve out certain costs when evaluating executives' performance. Robust STI and LTI structures should work in tandem; there should be no need to adjust the STIs for investment decisions made today with an uncertain outcome. If these investments prove successful, executives will be appropriately rewarded through their LTIs. Adjustments in LTI calculations are rarely warranted, given that LTIs span at least three years and are designed to smooth out short-term anomalies.

Importantly, adjustments to executive remuneration are often proposed by management, as they possess the deepest operational understanding of the business, unlike non-executive directors. In practice, management (executives or those ultimately reporting to executives) recommends these adjustments to the remuneration committee (remco). However, this process presents an inherent conflict of interest, as management has a strong incentive to propose favourable adjustments to their own remuneration. This contrasts with the broader remuneration process, where independent remuneration consultants and external benchmarking provide remco with insights into industry standards and reasonable pay structures.

In some cases, adjustments to performance metrics are substantial and consistently favourable to management. This creates a murky starting point in evaluating remuneration outcomes, as shareholders base their assessment of management's performance on the financial results reported to them, while the remco (and potentially management themselves) perceives a much rosier picture, leading to unwarranted pay outcomes.

Lack of disclosure and transparency

Compounding the issue is that there is no requirement for companies to disclose these adjustments or provide a reconciliation between company performance metrics and those used for remuneration purposes. For example, a reconciliation is required by the JSE Listings Requirements between the IFRS EPS metric and the headline EPS metric, ensuring transparency in financial reporting. However, when headline earnings are further adjusted for remuneration purposes, no such reconciliation is typically provided, leaving shareholders in the dark about how these adjustments impact reported performance versus remuneration outcome.

UNDERSTANDING THE FORMULAE

There is no standardisation in how companies define their performance metrics. ROIC, a common metric for miners, is typically calculated as net operating profit after tax (NOPAT) divided by invested capital (i.e. the net assets used to generate that NOPAT). Impairments – generally a consequence of poor historical decisions or declining asset values – reduce both the numerator and denominator (invested capital) in the year that they are first recognised. However, impairments' impact on the denominator is typically permanent, which can inflate ROIC in subsequent periods. We think this is misleading, as it only creates the appearance of higher efficiency on account of the erosion of underlying asset value. We therefore critically evaluate how miners account for asset impairments, as we do not want management to unfairly benefit from an inflated ROIC that is predominantly driven by past impairments.

Similar nuances arise in other metrics, such as return on capital employed (ROCE), where accelerated amortisation of intangible assets can distort the capital efficiency for intangible-heavy businesses. In many cases, there are various formulae for the same metric, and the most appropriate one depends on the company's unique positioning. For example, there is no standard definition of free cash flow (FCF). Some definitions include only maintenance capital expenditure (capex), while others include both maintenance and expansion capex. It would be concerning if a miner that is pursuing an aggressive growth or exploration project excluded expansion capex from its FCF metric (i.e. overstating FCF generation) without a separate performance metric that accounts for the increased expenditure.

There is no requirement for companies to disclose the formulae used for remuneration metrics. However, we believe that this transparency is essential for both remco and shareholders as nuances in calculations can incentivise the wrong behaviour.

INCONSISTENT METHODOLOGIES

The examples cited are quite company-specific, and we can see how there are discrepancies on implementation. Conversely, we also find inconsistent methodologies for what are well-defined industry metrics. For example, TSR is an external, readily available metric from third-party providers. There is consensus on its methodology of including share price appreciation and dividends. However, over the years, we have seen company-specific definitions of this widely understood metric.

Recently, a company presented the metric as TSR relative to the FTSE/JSE All Share Index, but on implementation, the actual results did not reconcile with our recalculation. The company justified its approach of comparing only price returns by stating that it is currently a non-dividend-paying company and that this aligns with the expectations of its investors. We strongly opposed this approach, as it undermines the purpose of TSR as a total return metric. The investment universe includes both dividend-paying and non-dividend-paying companies; TSR must account for dividends to allow for a true comparable measure. In this example, the company's total return did not meet its target to warrant performance-based pay. However, by using only the price return, executives met the target and earned significant performance-based pay.

This illustrates the extent of the discretion available as even a metric that is well defined in the industry can be altered for remuneration purposes. We strongly question the remco oversight in instances like these.

The importance of remco members

Previously, the relationship between shareholders and remco members was more direct, with both parties needing to be well informed. However, like many aspects of ESG, the landscape has expanded rapidly with new service providers entering the space.

Most large issuers now make use of external remuneration consultants to advise remco. These consultants, paid by the company, have no duty to shareholders or other stakeholders. Some asset managers rely on proxy advisers instead of conducting detailed remuneration assessments. These advisers, the largest of which are global firms, tend to adopt a rules-based approach given their scale, which is one of the reasons we do not use them.

Over time, possibly due to the growing complexity of executive remuneration and increased reliance on consultants, we have found some remco members to be less familiar with critical details such as formulae, adjustments and methodologies. As shareholders, we can raise our concerns on implementation (often when these issues first become apparent), but it is arguably too late to effect meaningful change, as the payouts have been made.

This underscores why we were opposed to the highly punitive consequences for remco members proposed in the Companies Amendment Bill. We believe this could paradoxically discourage strong board members from serving on remcos, whereas a robust remuneration scheme is built on a strong and informed remco that asks the right questions before outcomes are finalised.

GOING FORWARD

We do not believe that external assurance is necessary for remuneration reports, as there is no formal standard to provide a meaningful basis for assurance. In fact, many of the flawed formulae and adjustments we have highlighted were verified by independent remuneration consultants. The issue is not whether adjustments are calculated correctly, but whether they should have been made at all. Similarly, it is not whether a formula is applied correctly, but whether that formula incentivises the right behaviour.

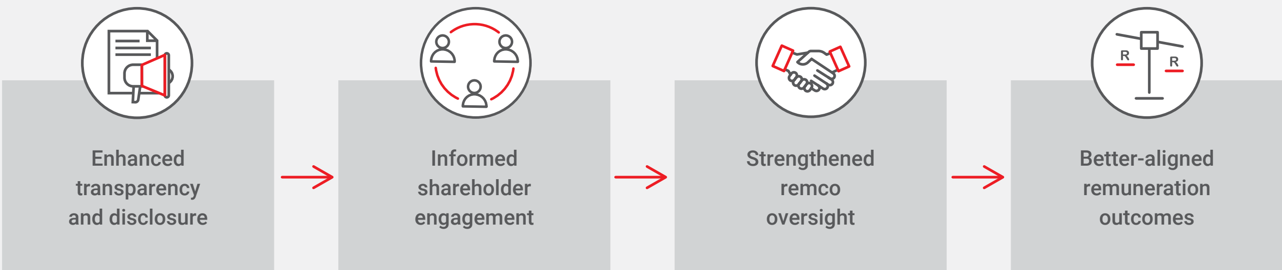
Enhanced transparency would allow shareholders to identify their concerns earlier, rather than only detecting issues on implementation when payouts have already been made. We recommend the following:

1. The clear definition of performance metrics.
2. Disclosure of the historical results of these performance metrics. Many companies provide financial overviews in their integrated reports (spanning five or 10 years), and these could easily include key performance metrics used for remuneration.
3. The clear outlining of any adjustment made to these performance metrics.

We encourage remco members to engage deeply with the details, as that is where the wheels come off. They should have a clear understanding of how performance metrics are calculated and critically assess the necessity and fairness of any adjustment. When the above-mentioned three points are not disclosed, it means the remco is not the last line of defence against poor remuneration outcomes, but *the only defence*. Enhancing disclosure and meaningful shareholder engagement can shift that dynamic by strengthening the additional oversight that shareholders can provide, creating a more robust system, as shown in **Figure 2**.

With the remuneration-related amendments in the Companies Amendment Act awaiting an effective date, meaningful shareholder engagement is at risk. We encourage companies to continue with annual shareholder engagement on executive remuneration, regardless of their level of shareholder support. Ongoing and quality shareholder engagement is critical in ensuring that the key details that play an influential role in aligning incentives with desired behaviour are not overlooked.

Figure 2: How enhanced transparency drives better outcomes



ANNEXURE 4: ENVIRONMENTAL AND SOCIAL ENGAGEMENTS CATEGORISED BY KEY THEMES

We often speak to the complexity of environmental, social and governance (ESG) analysis, which is in part due to the breadth of considerations under the ESG umbrella, as well as interrelationships and trade-offs between them. As such, we have attempted to focus our environmental and social research and engagement efforts on several key themes of local and global importance. Rather than our usual tabular format per engagement, this year, we list multiple engagements for each of seven key environmental and social themes for 2024.

Given the sensitivity of some of these topics, the companies researched and engaged are not named in all instances. We wish to maintain a respectful relationship with companies, which, in turn, promotes candour during engagements and enhances our ability to influence change when necessary. In some cases, we also highlight our internal engagements. These promote better external engagements down the line or are the consequence of prior engagements with companies or industry experts. We believe they provide greater insight into the depth of research involved.

Some of the companies listed under "internal engagements" are not currently held in our clients' portfolios, however, they demonstrate the integration of ESG factors into our investment research and decision-making.

CLIMATE CHANGE

Industry and expert engagements	
Rio Tinto	Two Investment team members attended a learning session and Q&A with Rio Tinto's chief adviser on Nature Solutions. This provided further insight into nature-based solutions for carbon offsets and carbon credit markets.
Company research and engagements	
Multiple companies	We engaged with several companies on the Science Based Targets initiative (SBTi). This is in line with our portfolio-level commitment for 2025 to support high emitters in committing to science-based decarbonisation targets, preferably verified by the SBTi, unless we are comfortable with the rationale provided for not doing so. Those that had not committed to SBTi at all, or in terms of their long-term target, cited methodology constraints (for example, the SBTi methodology does not yet accommodate decarbonisation pathways for diversified miners) or rigidity in how the SBTi methodology is applied. Given that all companies in question have set well-considered and reasonable or ambitious targets, we were comfortable with their decisions.
Glencore	In November 2023, Glencore announced that it had entered into a binding agreement to acquire 77% of Elk Valley Resources (EVR), Teck Resources' steelmaking coal business. Glencore proposed the demerger of its existing coal operations and EVR from the remainder of its business post acquisition. However, following consultations with shareholders representing an estimated two-thirds of eligible voting shares, including Allan Gray, Glencore decided against this. We had long maintained our position that we were in favour of the retention of the coal assets as opposed to a separation of "CoalCo" and "MetalCo". In addition to these discussions, our ESG analyst had two climate-focused engagements with Glencore during 2024, both of which were proactively initiated by Glencore. We appreciate management's ongoing willingness to communicate with shareholders on their Climate Action Transition (CAT) strategy. ▪ During the first meeting, we discussed Glencore's new CAT plan for the 2024-2026 period and that there would be no changes to decarbonisation commitments on existing operations post completion of the acquisition of EVR. Glencore also added a 2030 target (a 25% reduction in scope 1 to 3 emissions against a 2019 baseline) in addition to its 2026 (15%) and 2035 (50%) decarbonisation targets. We discussed Glencore's decarbonisation pathway in relation to independent pathways, such as those modelled by the International Energy Agency. We were comfortable with Glencore proposing to move from an annual climate vote to a three-yearly vote on climate strategy, in line with the period covered in each CAT plan. ▪ During the second meeting, Glencore provided an update on its CAT after the completion of the EVR acquisition and how management would report on decarbonisation of the existing operations and the combined entity including EVR (as per the GHG Protocol's requirement to rebase targets). We also discussed Glencore's work on climatic impacts on nature and links to catastrophic hazards such as tailings facilities.

Company research and engagements	
Sasol	We engaged on carbon tax and the implications of the removal of allowances to 2030. We also discussed further details of Sasol's decarbonisation strategy on multiple occasions. We set out our views on this in the 2023 Stewardship Report. In December 2024, we submitted a letter to National Treasury outlining our concerns regarding the "Phase Two of the Carbon Tax" discussion paper that was published in November 2024. While we appreciate that National Treasury wishes to develop progressive climate policy that ensures South Africa remains globally relevant and recognises the role our country must play in reducing anthropogenic greenhouse gas emissions, our view is that the policy environment should also be cognisant of the myriad country-specific challenges that South African companies have faced over the past five years. This has included loadshedding, port and rail failures, increasing water infrastructure failures, riots, and rampant crime and corruption, all of which increase the cost of doing business and impair global competitiveness. Our concern is that the carbon tax scheme, as currently proposed, may have the unintended consequence of deindustrialisation and impose additional costs on South African businesses (and ultimately South African consumers) at a time when they have already shouldered significant cost burdens. We have seen this play out globally; for example, Germany has experienced deindustrialisation in the face of poor energy policy that has ultimately resulted in significant energy price increases. While other countries are considering carbon border adjustment mechanisms, led by the EU, we believe many challenges still exist in terms of implementation. To be clear, we are not against policy that encourages the reduction of greenhouse gas emissions; rather, given the current state of South Africa's economy, we believe that less punitive mechanisms would be more constructive. For example, loadshedding in South Africa was partly alleviated simply by lifting the cap on private power generation. The private sector and individuals seized this concession, as renewables proved price-competitive versus conventional electricity sources. To 2030, greater renewable energy roll-out in the easiest sector to decarbonise, which is power, includes the following challenges: 1) a lack of transmission capacity in the best-resourced provinces, and 2) the inability of old coal power plants to operate flexibly with increasing concentrations of variable renewable energy. Incentives to address practical constraints such as these would propel a constructive transition and promote job creation, rather than simply imposing additional costs that leave South African companies financially worse off and constrained in their ability to transition. We subsequently joined a National Treasury consultation call, during which we further expressed our concerns, and we continue to engage on this matter. We recognise that policy development elicits a wide range of stakeholder responses, and we offer our comments humbly with a desire to reach a constructive outcome, both environmentally and economically.
Gold Fields	We questioned Gold Fields on how it was preparing for extreme weather events, which may be exacerbated by a changing climate, as it had been significantly impacted by extreme weather events during its prior financial year.
Oceana	Our ESG analyst prepared a report on the potential impacts of the El Niño-Southern Oscillation (ENSO) on Oceana's catchments, particularly the Gulf of Mexico operations. This included a summary of Oceana's own identified climate-related risks and opportunities, drawing from its CDP submission. The report informed discussion at an internal policy group meeting and will support future engagements with Oceana.
Banking sector	Our ESG analyst prepared a progress report for the Investment team on the fossil fuel versus renewable energy exposures of the JSE-listed banks' lending books. This included international benchmarking and an update on the banks' climate-related financing commitments going forward. This was distributed to Investment team members as part of an internal quarterly strategy meeting.
Astral Foods, Oceana, Anglo American, Kumba Iron Ore	Various climate- and energy transition-related considerations were discussed at internal policy group meetings. The list of companies provided is not exhaustive.

WATER

Water research was a key focus for our ESG team in 2024. This was primarily in response to growing challenges related to water availability and quality in many parts of South Africa. We showcase some of this research in Annexure 5.

Industry and expert engagements	
Dr. Sean Phillips	Two members of the Investment team attended a webinar with the director general of the Department of Water and Sanitation, Dr. Sean Phillips, organised by SBG Securities. Dr. Phillips discussed the current state of water in South Africa and reforms underway to improve the water service delivery model. Various other insights were also provided, including required water infrastructure expenditure and a progress update on Phase 2 of the Lesotho Highlands Water Project – a critical project for future water supply in Gauteng.
ANDWATR.	Our ESG analyst attended an expert learning session with South African water industry expert Helen Hulett, organised by M&G Investments. This included an overview of the water situation in South Africa, including catchment deficit projections. In addition, she provided recommendations for evaluating company-specific water risk exposures and related financial materiality.
Company research and engagements	
Mondi, Famous Brands	ESG analysts highlighted company-specific water risks prior to two internal policy group meetings. In the case of Mondi, this was supported by a deep-dive report distributed to team members and which is also showcased in Annexure 5.
Multiple companies	We reached out to several companies covering a range of sectors, including retail, food manufacturing, healthcare and mining, to discuss water risks. Questions were raised regarding municipal reliance, the availability of alternative supply sources, as well as storage enhancements to mitigate the impact of temporary disruptions.
Ekurhuleni Metropolitan Municipality (EMM)	While Allan Gray does not hold any EMM debt on behalf of our clients, we participated in a collaborative water-related engagement with EMM and other South African asset managers. We acknowledge and appreciate M&G's work in organising and facilitating this. The engagement improved our understanding of the role of municipalities in water provision.
Sasol	We reached out to Sasol for an update on the date of a court case relating to allegations of historical improper waste disposal into the Vaal. Given that the matter is subject to a court process, Sasol was not able to comment on the allegations beyond an update on timelines for the case to be heard. We continue to monitor this.
DRDGOLD, Exxaro, Astral Foods, Namibia Breweries	Water risks and company-specific water considerations were discussed internally at several policy group meetings during 2024. The list of companies provided is not exhaustive.

BIODIVERSITY

Industry and expert engagements	
Endangered Wildlife Trust (EWT)	In 2022, we set a portfolio-level commitment that all holdings considered to have high biodiversity impacts in our top 40 local equity holdings as of December 2021 must have robust biodiversity strategies in place by end-2024. However, after beginning this process, we recognised the need to upskill ourselves on best practice in biodiversity management and reporting first. We reached out to the EWT, given their expertise in this area and their experience in compiling the Biodiversity Performance Ratings of South African Companies reports. Following our introductory meeting with the EWT, we enquired whether they would be willing to host a training session on biodiversity accounting, management strategies and target setting for asset managers, to which they have agreed. We have raised this with peers and intend to host this event in 2025. We will thereafter provide a more detailed update on our biodiversity efforts in our next integrated stewardship report.
Company research and engagements	
Gold Fields	We followed up on previously discussed nature baseline risk assessments. Gold Fields continues to progress its biodiversity work, but did note that resources have been diverted to focus on the chinchilla programme at Salares Norte.

AIR POLLUTION

Company research and engagements	
Sasol	We sent Sasol detailed queries concerning their modelling of the Secunda boilers' sulphur dioxide (SO_2) emissions to 2030, given management's appeal to the then-Minister of Environmental Affairs, Barbara Creecy, to move from a concentration-based to a load-based limit on its SO_2 emissions. The aim was to clarify that Sasol's commitment under the load-based limit would indeed bring greater health benefits, as was put forward. Ex-Minister Creecy granted Sasol's appeal subject to certain conditions, and this was held in abeyance pending her decision on the appropriate concentration-based limit as well. The newly appointed minister, Dion George, subsequently decided that the concentration limits should be 1 700 mg/Nm^3 for the west stack of boilers and 1 400 mg/Nm^3 for the east stack.

SAFETY IN MINING

Company research and engagements	
Mining sector	Our ESG analysts perform an annual review of safety metrics for the mining sector, which is a high-risk sector in terms of employee injuries and fatalities. Progress updates are conveyed to the covering analysts when related companies are to be discussed internally by the policy group.
Confidential engagement	We questioned the company on its safety progress given setbacks experienced. We believe that a large institutional shareholder enquiring about and following up on such initiatives elevates its importance at an executive level, which ultimately supports its prioritisation.
Confidential engagement	We enquired about the findings from an independent safety review that had been commissioned by the company in 2024 and the implementation thereof. This had been undertaken in an effort to eliminate fatalities in the group.
Several mining companies	We continue to question companies on their compliance progress with the Global Industry Standard on Tailings Management (GISTM), which is the first global standard on tailings storage facility (TSF) management and sets an intentionally high bar on safety and the environment. GISTM is a positive step in reducing the risk of TSF failures, which, in turn, have significant social and environmental consequences. We also discussed the risk that extreme weather events pose to tailings dams with one of the mining companies with many TSFs.
Harmony Gold	Harmony Gold's safety initiatives and progress were discussed in detail during an internal policy group meeting.

WORKFORCE CONSIDERATIONS

Company research and engagements	
Confidential engagement	We requested a meeting with the CEO of a company held in our clients' portfolios in relation to wage-related protests. We enquired about the wage negotiation process and unions involved, minimum pay at the entity in question versus minimum wage, how the company benchmarks pay, and plans to resolve the protest. We were comfortable with the responses provided.
Confidential engagement	During an engagement with a mining company that suffered a safety performance setback, we asked for a deep dive into compensation and family support provided when employees suffer fatal injuries. The response reassured us that the company takes care of families as best as possible in the wake of such a loss and is navigating a complex landscape with the necessary consideration and empathy.

TRANSFORMATION

Company research and engagements	
Top 60 constituents of the FTSE/JSE All Share Index	Our ESG analyst prepared a report on the extent of Black ownership of the top 60 constituents of the FTSE/JSE All Share Index (accounting for 94% of the index weight), which involved reaching out to several companies for clarification of interpretations and methodologies. This report was distributed to the Investment team. While we believe in considering transformation efforts holistically, this is a useful baseline exercise on one component of companies' B-BBEE certificates to aid related future engagements. It also provided useful insights into the complexities associated with such calculation methodologies.
Confidential engagements	At policy group meetings, discussions were held on the "once empowered, always empowered" principle and on BEE structures.

ANNEXURE 5: ENVIRONMENTAL AND SOCIAL THOUGHT PIECE: WATER RISK

In South Africa, water risks have come to the fore as multiple provinces grapple with deteriorating water quality and increasingly frequent and lengthy disruptions to water supply. An in-depth review undertaken in 2024 highlights water risks in Gauteng as the economic hub of South Africa – but many of the challenges resonate for other provinces as well.

The 2023 National Blue Drop Report, put together by the Department of Water and Sanitation (DWS), found that 46% of our water systems have an unacceptable microbiological water quality status, meaning that the water in these systems poses an acute health risk. This is a drastic deterioration from just 5% of water systems in 2014 (the year of the previous Blue Drop Report). The provinces that fare the worst are Mpumalanga, the Northern Cape, the Eastern Cape and the Free State. The 2023 Green Drop Watch Report, which evaluates wastewater treatment works, painted an equally concerning picture: 66% of our wastewater treatment works pose a high (34%) or critical (32%) risk of discharging partially treated or untreated water into rivers and the environment.

For many South Africans, these deteriorating statistics have been felt for some time. The Vaal River, for example, has seen a huge build-up of damaging invasive water lettuce due to years of raw sewage spillage because of dysfunctional wastewater treatment works. A multipronged approach is now underway to tackle the crisis. Multiple communities across the country, from Lichtenburg and Rustenburg in North West to Kimberley in the Northern Cape and Verulam in KwaZulu-Natal, have suffered the consequences of inadequate potable water supply, with business closures often an inevitable consequence.

RAND WATER IN FOCUS

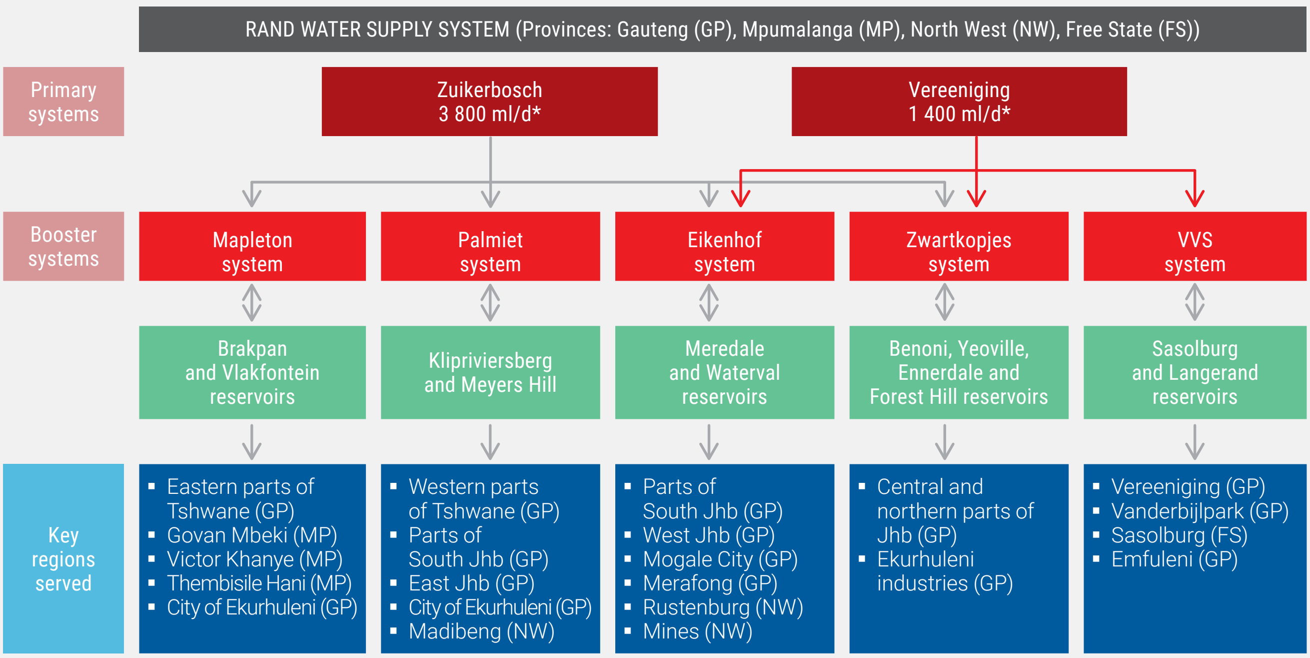
In December 2023, Rand Water issued an urgent notice to Gauteng's three major metros – the cities of Johannesburg, Tshwane and Ekurhuleni – regarding water demand outstripping potable supply:

"Rand Water hereby cautions that, should this high consumption continue unabated, the water systems will **eventually collapse**."

Why was this warning of such importance for South Africa?

In 2023, Rand Water celebrated its 120th anniversary. It is the largest bulk water supplier in Africa, supplying potable water (i.e. water that meets drinking quality standards) to municipalities across Gauteng, as well as parts of Mpumalanga, the Free State and North West. Specifically, it supplies 17 municipalities, 27 mines and 952 industries and direct consumers. Roughly 80% of the water pumped by Rand Water goes towards sustaining the three major metros, and it is ultimately responsible for the water supply of over 15 million people.

Figure 1: Rand Water supply system



*These represent maximum capacity for purified water production.
Sources: Rand Water, news reports, Allan Gray research

Rand Water abstracts raw water from the Vaal Dam, within the Integrated Vaal River System (IVRS). This water passes through two large treatment and pump stations, Zuikerbosch and Vereeniging, after which four main booster pump stations (Zwartkopjes, Mapleton, Palmiet and Eikenhof) move the now-potable water to various regions – as shown in **Figure 1**. The distribution network consists of pipelines and strategically located storage reservoirs, from which potable water is pumped into municipalities' reservoirs, where it is then mostly gravity-fed to households.

WHAT HAS GONE WRONG?

Gauteng's ongoing water disruptions reflect a combination of problems:

A leaking supply system exacerbates high demand

Rand Water is supplying into an ever-leaking municipal system. **Figure 2** shows the percentage of non-revenue water (NRW) in each province. NRW mostly comprises real water losses, i.e. physical leaks, but also commercial losses due to metering inaccuracies, water theft and data errors, as well as unbilled but authorised consumption (water used to produce potable water, i.e. process water and on-site consumption). Only the Western Cape's average NRW falls below the global average of 30%. In Gauteng's case, half of the water supplied is lost to physical water leaks or is unbilled, although performance differs significantly by municipality. At the Rand Water level, infrastructure has been well maintained and NRW is approximately 5%. While Rand Water notes that this still requires improvement, the majority of NRW is occurring in municipal networks once Rand Water "hands over" supply. This is due to municipalities neglecting infrastructure maintenance, in some cases for decades.

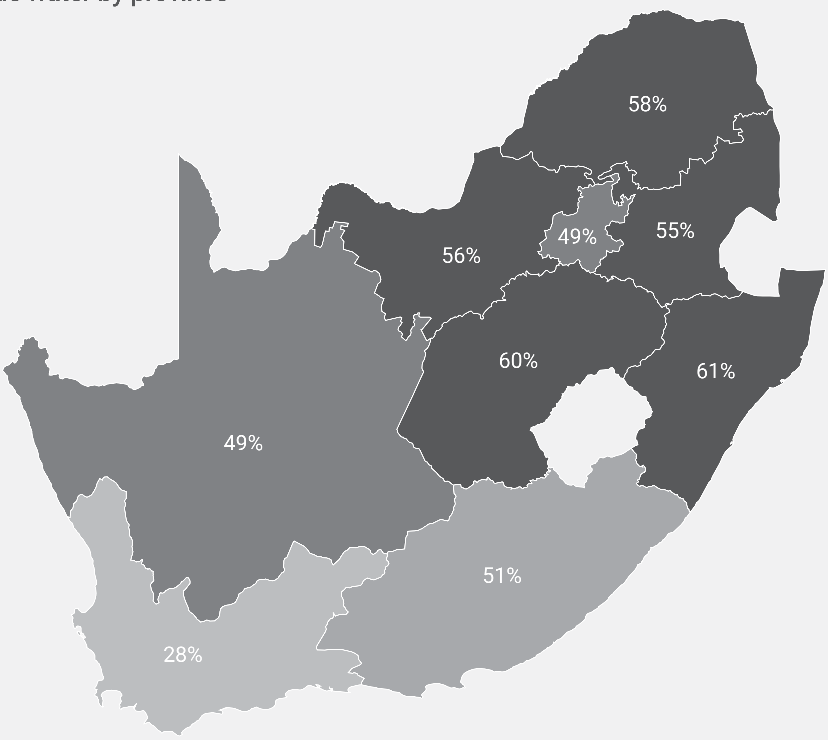
Nationally, our deteriorating NRW of 47% versus 37% in 2013 is unsustainable. To add insult to injury, in 2023, a year in which South Africans experienced 335 days of loadshedding, we were using our underperforming electricity to purify and pump water, roughly 40% of which was then wasted through leaks. Managing NRW down costs less than augmenting supply and needs to be a priority among our water service institutions.

High demand versus supply

On average across Gauteng, each person uses 316 litres of water per day, partly due to the above-mentioned high NRW. This is a very high (poor) water per capita use when compared to the global average of 180 litres per day. Across South Africa, our average water consumption is still excessive at 256 litres per day, especially considering that South Africa is in the top 30 driest countries globally.

Gauteng's population growth and the consequent growth in water demand have exceeded the growth in water supply, with Rand Water recognising the availability of raw water as one of its critical risks. This is partly due to the delay in constructing Phase 2 of the Lesotho Highlands Water Project, intended to transfer an additional 490 million cubic metres of water from Lesotho to the IVRS per

Figure 2: Non-revenue water by province



Sources: Daily Maverick, Allan Gray research annum. Phase 1, completed in 2003, currently transfers 780 million cubic metres annually. Phase 2 of the project is nine years behind schedule and is now expected to reach completion by 2028. It is alleged that political interference played a significant role in the delays. Rand Water is currently able to supply 5 200 million litres of potable water daily and is already exceeding its abstraction limit from the IVRS. It will only be able to increase its abstraction when Phase 2 comes online.

The existing tunnel system supplying water from Lesotho to the IVRS shut down in October 2024 and is undergoing maintenance until March 2025. While this has led to concerns about Gauteng's water supply over this period, government expects minimal supply disruption as IVRS dams, such as Sterkfontein, are relatively full and can supplement supply if the Vaal Dam's level declines to 18% and a top-up is needed.

As noted by the director general of the DWS, Dr. Sean Phillips, the demand-supply relationship for potable water in Gauteng is now so tight that the system is more vulnerable to shocks, such as loadshedding in 2023, electromechanical breakdowns or cable theft and infrastructure vandalism. Even after Lesotho Highlands Phase 2 comes online, Gauteng will have to address high per capita water consumption, as there is a limit to bringing further capacity online affordably. The same goes for many other municipalities, particularly in a potentially more drought-prone future.

Power failures

Power trips or failures at substations (which are the responsibility of Eskom or the metro, such as City Power in the City of Johannesburg) frequently affect the supply to Rand Water's pump and booster pump stations. Historically the reasons have varied, including lightning strikes, but the trips were exacerbated by heavy loadshedding in 2023. According to Rand Water, these pump stations cannot use backup generators as they require such substantial baseload electricity supply that it would require the installation of a plant. In other words, there is no Plan B when the power supply fails. This water system is complicated: Even with a relatively short outage, it can now take 10 to 14 days for outlying and high-lying regions to receive water again.

CONSIDERATIONS FOR THE FUTURE

Rising municipal debt and infrastructure backlogs

Rand Water operates without assistance from the fiscus, meaning its liquidity and longer-term financial stability depend on revenue collection from its customers, primarily municipalities. Rand Water is owed billions of rands, with the large Gauteng metros – Rand Water's biggest revenue stream – increasingly failing to pay their bills. Rand Water's debtor days – i.e. number of days on average for accounts to be settled – nearly doubled from 56 in 2019 to 109 in FY2023 and remained excessive at 110 in FY2024.

For our largest bulk water supplier to execute on its commitments, its major customers need to foster a culture of payment. In turn, these customers need to implement proper billing systems and receive payments from their communities. Communities are happier to pay when receiving a reliable service and when financially able to do so, which, ironically, is hindered in the event of job losses that are exacerbated by service delivery failures.

Settlements encroaching over pipelines, servitudes and properties

Rand Water's distribution network includes more than 3 500 km of large diameter pipeline. Increasingly, informal settlements are encroaching on its land and pipeline servitudes. This brings various challenges, including the reduced ability to undertake critical maintenance on underground pipelines. Rand Water is implementing interventions, but this remains a concern in Gauteng, as well as other provinces such as KwaZulu-Natal.

Water quality

Gauteng, Limpopo and the Western Cape have the lowest percentage of water supply systems with "unacceptable" microbiological compliance, at 21-22% of total. However, the national average of 46% should be of great concern to South Africans. In addition, 44% and 24% of our water supply systems nationally were found to have unacceptable acute and chronic health chemical compliance respectively.

Criminality and vandalism

South Africa is suffering years of unchecked corruption and criminality, and the water sector is no exception. Water tanker "mafias" are accused of sabotaging critical infrastructure to boost their businesses, while in some cases, construction mafias interfere with water capital and maintenance projects. Restoring law and order needs to be an absolute priority across sectors.

PROGRESS MADE

If municipal shortcomings are not tackled with greater urgency, South Africa faces a water crisis. But there are signs of progress. In 2021, Senzo Mchunu was appointed as Minister of Water and Sanitation. In the department's subsequently developed Water Services Improvement Programme (2022) document, he wrote: "Over the last 25 years we, as government, have provided and spent hundreds of billions of rands in grants, but with disappointing results. In the last year alone we, as national government, provided close to R40 billion to municipalities to support water and sanitation services. Yet, what I am seeing is a decline in services, not an improvement. It is as if we bought a car and forgot to also purchase the maintenance plan. After years of not being maintained, these services are now breaking down. It will be a long and expensive process to fix, but we need to start now."

While Mr. Mchunu was subsequently appointed as Minister of Police in 2024, one of his key successes in the DWS was the reintroduction of the Blue, Green and No Drop reports, which had been discontinued after 2014. Originally introduced in 2008, their intention was to recognise the water service institutions that were achieving excellence and to identify and intervene where municipalities were struggling. This renewed transparency should contribute to enhanced accountability and corrective action.

Currently, the Blue Drop audit does not verify statistics around water supply disruptions, but notes that the department must include the monitoring and quantification of "water shedding" and "dry taps" going forward. This will also be important to address the frequency and severity of these incidents.

In 2023, the DWS, in collaboration with the Development Bank of Southern Africa (DBSA) and the South African Local Government Association (SALGA), established South Africa's first Water Partnership Office (WPO). This is a ring-fenced project implementation office at the DBSA, which aims to accelerate water and sanitation infrastructure delivery by supporting municipalities to establish partnerships with and mobilise finance from the private sector. For example, the WPO is currently supporting an NRW programme, in which five metros (the eThekwini, Mangaung, Buffalo City, Nelson Mandela Bay and Tshwane municipalities) will unlock private sector finance for the replacement of leaking municipal water distribution pipes. While some municipalities are still performing well, in many cases, there has been a loss of trust among potential funders owing to governance and operational failures. Ring-fenced product innovation and safeguarding mechanisms will therefore be important.

National Treasury has also expressed concern over the number of troubled municipal water businesses in South Africa and entered into engagements with the DWS and various stakeholders. Its Cities Support Programme has been supporting several metropolitan municipalities to turn around their water businesses.

The private sector continues to innovate and adapt to our country's challenges. Astral Foods, one of the South African companies most impacted by historical loadshedding and water disruptions, has opted to build a R100 million water pipeline directly from the Vaal River to its Standerton plant. This is after years of municipal service delivery failures and winning a lengthy court case that allowed it to bypass the municipality's water provision. Numerous companies are sinking boreholes, increasing their water storage capacity, and investigating ways to use wastewater more efficiently. The latter is especially important. Currently, only 14% of South Africa's wastewater is reused. Finding ways to treat this water to an acceptable (but below-drinking water quality) standard means that it could be used by some industries, increasing the availability of our potable water delivery for human consumption.

DRD Gold serves as an example of a company that has done much to improve its water profile. Its reduction in potable water usage from 22% to 3% over the past decade demonstrates meaningful progress in resource efficiency. Perhaps more importantly, its business model – centred on tailings remining and responsible redepositing – delivers a notable environmental benefit by addressing point sources of groundwater contamination. This approach helps to reduce groundwater pollution and prevents further environmental damage, contributing to the improved availability of potable water and better long-term environmental outcomes.

Many companies are also stepping in to assist with municipal service delivery. Harmony Gold notes that many of the municipalities in its mining jurisdictions are unable to maintain and operate their wastewater treatment plants, resulting in raw sewage discharge into local streams and rivers. For example, untreated wastewater from Matlosana and Merafong ultimately feeds into the Vaal River – one of South Africa's major water sources, as discussed earlier. Through its Social and Labour Plan, Harmony has funded the services of a wastewater management specialist company to assist these municipalities in refurbishing, operating and maintaining their wastewater treatment plants, and to rebuild the municipalities' skills to ensure the facilities' sustainability.

ACTIONS TAKEN BY ALLAN GRAY

Despite South African companies' efforts to bolster their resilience to water disruptions and reduce their municipal water dependence (when warranted), continuous water access and quality remain key risks for many.

Since 2023, we have undertaken detailed research into South African water risks. Our focus has been on exposures within our clients' top holdings, as well as holdings where our clients own a material percentage of the company. Company-specific engagements have spanned sectors, including retail, food manufacturing, hospitals and mining.

While a deterioration in South Africa's municipal water services has been widely acknowledged, companies have also emphasised that this is not a new risk. As highlighted above, many have already completed projects or have initiatives underway to cushion the impact of disruptions. We believe the risks are being well managed. That said, water is a scarce resource, and large users in particular should keep striving to increase efficiencies. We will continue to engage with companies on their water management strategies and resilience.

Our research considers not only the "inward impact" of the availability of water on companies, but also the "outward impact" of company operations on the environment. For example, in 2024, we undertook a detailed review of water risk at Mondi, comparing pollution metrics and environmental incidents with those of US and European peers in the pulp and paper industry. Such supplementary ESG research enables us to pinpoint areas of potentially lagging environmental performance, identify areas of engagement and develop a clearer understanding of operational sustainability.

ANNEXURE 6: VOTING ACTIVITY

UNDERSTANDING OUR VOTING METHODOLOGY

We make use of internal guidelines for voting recommendations. As illustrated in **Figure 1**, we provide voting recommendations for general meetings for all companies in which either the value of our clients' aggregated holdings exceeds 1% of the total value of equities under our management, or our clients' aggregated holdings exceed 4% of the company's shares in issue. We also make recommendations for shareholder meetings of companies that fall below these thresholds if we believe that special circumstances warrant such action. Special circumstances are determined on a case-by-case basis. We apply our minds and consider where our clients' interests could be materially impacted. We monitor our voting thresholds to ensure our proxy voting captures a significant portion of our total equity position. As shown in **Figure 2**, we voted at the annual general meetings (AGMs) of 96% of our total equity position for the calendar year ending 31 December 2024.

Figure 1: Voting approach

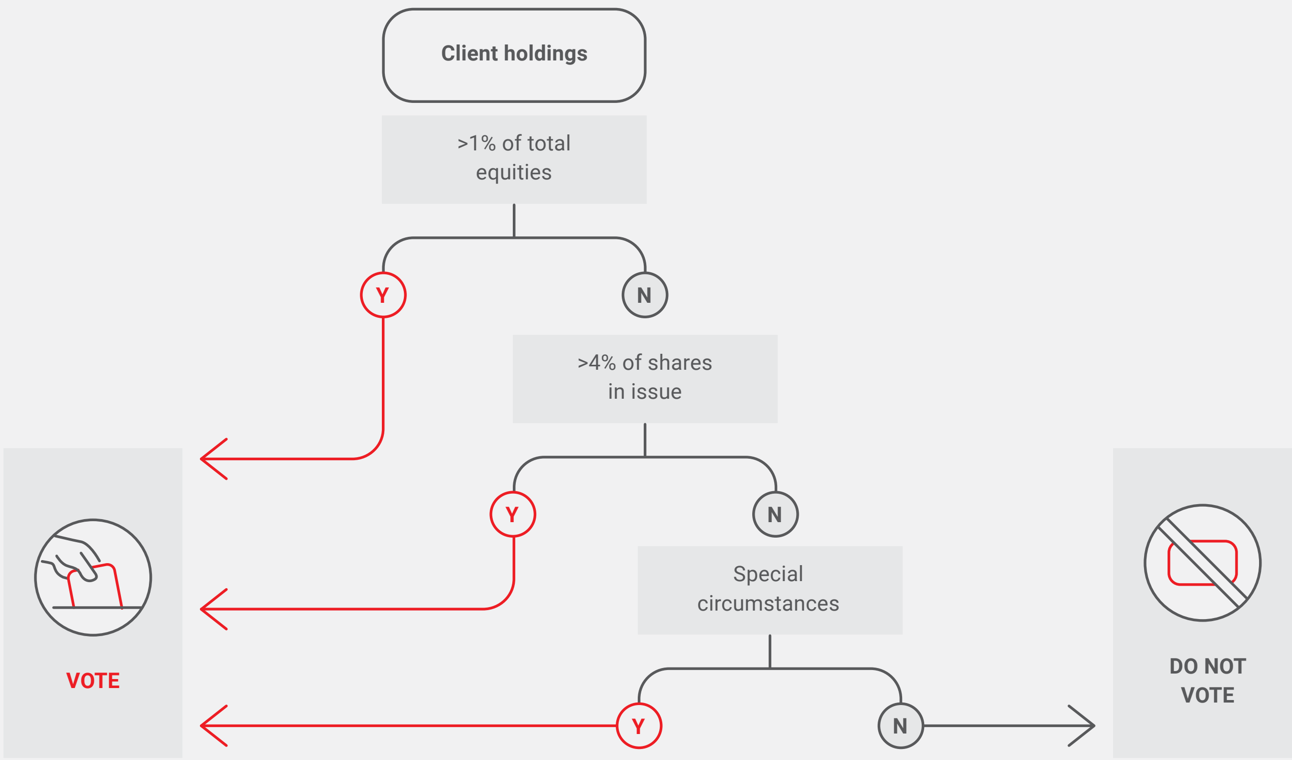
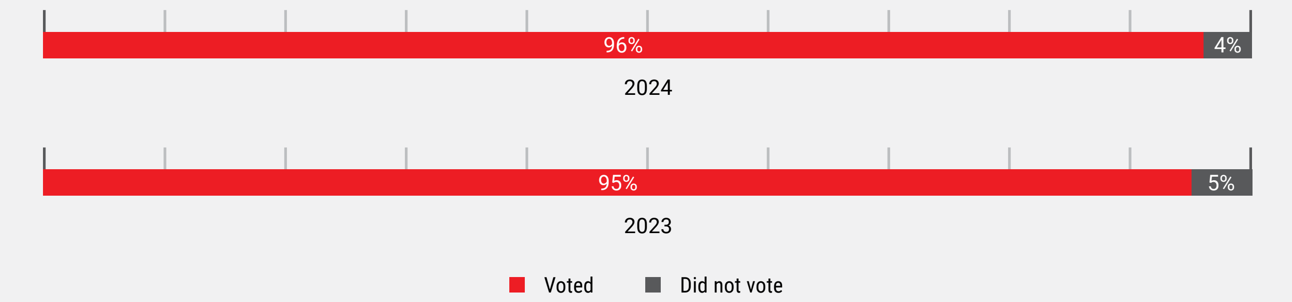


Figure 2: Total equity position voted at AGMs



PROXY VOTING RECORD

During 2024, we made voting recommendations on 2 386 resolutions tabled at shareholder meetings, as shown in **Table 1**. Dissenting votes include recommendations to our clients to both vote against and abstain from voting. We recommend dissenting votes for various reasons in line with our policy on ownership responsibilities. This report now includes our voting recommendations relating to frontier and global markets in addition to South Africa and Africa ex-SA. Our voting recommendations are shared on our website quarterly in arrears.

Table 1: 2024 voting recommendations

	Number of meetings	For	Against	Abstain	Dissenting (%)	Total resolutions
South Africa	82	1 260	87	11	7%	1 358
Africa ex-SA	61	524	49	49	16%	622
Frontier	34	308	22	18	11%	348
Global	3	42	11	5	28%	58
Total	**180**	**2 134**	**169**	**83**	**11%**	**2 386**

UNDERSTANDING OUR DISSENTING VOTES

South Africa

Global[1]

Frontier

Africa ex-SA

[1] In this context, "global" refers to directly held foreign holdings in the Allan Gray portfolios and excludes exposure to the Frontier, Africa and Orbis funds.

Resolutions tabled at AGMs reflect variations in shareholder rights across regions and markets. These variations are influenced by local regulations, corporate governance norms and market maturity. This is evident in our proxy voting records and the composition of our dissenting votes, which align with the specific resolutions tabled in each region.

The extent of shareholder rights is primarily shaped by the legal and regulatory frameworks of each market. In South Africa, for instance, shareholder rights are well defined under legislation such as the Companies Act and the JSE Listings Requirements. This leads to a consistent set of resolutions being tabled at AGMs for JSE-listed companies, resulting in relatively stable patterns of dissenting votes (as outlined in this annexure) from year to year.

Our approach to recommendations is guided by consistent principles, adapted to regional and industry-specific nuances. For instance, while the design of an effective remuneration scheme may vary across industries and regions, the core objective remains to enhance alignment of executive incentives and performance. Similarly, although the details of capital structure resolutions differ across markets, our baseline preference is to preserve the scarcity value of our clients' shares. From this starting point, we assess the specifics of each resolution on a case-by-case basis.

SOUTH AFRICA

Overview

Category	General	2024 examples
Board structure 8%	Our dissenting recommendations stem from concerns that directors' appointments or re-elections are not in the best interests of shareholders. As outsiders, we are not privy to the innerworkings of the board. However, we consider the shareholder outcomes under a board and whether value has been created or destroyed. We consider the individual performance of directors, the overall performance of the board, the composition of the board as well as other directorships each director may hold. We also consider whether any of the directors have previously been involved in fraudulent, corrupt or unethical activities. We record this information in our directors database.	**Beverage company:** We recommended against appointing a director who concurrently held a board position at another organisation that had been implicated in accounting fraud. **Telecommunications company:** As part of our ability to escalate shareholder actions where necessary, we recommended against the re-election of the remuneration committee chairperson who was responsible for overseeing what we believe to have been poorly aligned pay outcomes.
Capital structure 39%	There are numerous routine AGM resolutions relating to capital structure. As a result, it is often the highest category of our dissenting votes. The category includes 1) resolutions to repurchase shares, which we are generally supportive of, and 2) resolutions to increase the number of shares in issue, which we are typically against as they diminish the scarcity value of the shares our clients hold. We prefer it when companies engage with shareholders before communicating that they believe a share issue is necessary. As with all our recommendations, we review these on a case-by-case basis.	**Nampak:** While generally supportive of resolutions to repurchase ordinary shares, we are opposed to it in certain circumstances. Given the state of Nampak's balance sheet at the time of the AGM, we preferred the available cash to be applied to debt repayment rather than share repurchases. **Naspers:** While generally opposed to resolutions to issue shares, we support these resolutions in circumstances where it might be necessary. We recommended our clients support the resolution to provide the flexibility to restructure minority interests.
Environmental and social 2%	There are few environmental and social resolutions tabled for JSE-listed companies, given their voluntary nature. In 2023, we dissented on three resolutions that all related to dual-listed companies. We carefully apply our minds to the specifics of each resolution as they span a broad range of topics – from climate to charitable donations – that are often unique to the company. In some instances, we may recommend an abstention if a resolution conflicts with our internal investment policies. We communicate our voting rationale to clients, who factor this into their final decision as shareholders.	We did not have noteworthy dissenting recommendations on environmental and social resolutions during the period under review. We recommended our clients support the **Sasol** climate approach and decarbonisation pathway and the **Glencore** Climate Action Transition plan. We continue to have constructive engagements with both companies.

Category	General	2024 examples
Executive remuneration 35% **Policy (18%)** **Implementation (17%)**	The annual non-binding advisory resolutions for JSE-listed companies on the executive remuneration policy and its implementation are covered under this category. Overall, we advocate for remuneration schemes that align executive pay with company performance. In reaching our recommendations, we perform an internal evaluation and apply our framework that considers quantum, structure and alignment, the quality of disclosure and the overall use of discretion. This is supported by different forms of engagement with remuneration committees during the year. We aim for constructive engagements, where we are clear about our key concerns and share our practical recommendations for improvement. Enacting positive change takes time. As a result, we do not look for all our recommendations to be taken on in any given year. Instead, we look for progress: Is the alignment between executive and shareholder outcomes improving or deteriorating?	**Positive trajectory:** Our dissenting votes include companies where we have engaged and observed positive policy improvements. However, the implementation report reflects outcomes from the past year, which are still based on prior policies. Examples include **Sibanye-Stillwater** and **AngloGold Ashanti**, where we supported their policies but remained against their implementation reports. We remain optimistic that these policy changes will lead to improved pay outcomes in the future. These cases were discussed in detail in our Q2 2024 Quarterly Commentary. **Concerning trajectory:** In other cases, our dissenting votes include companies with which we have consistently engaged. During these engagements, we outline our core concerns and recommend improvements, but the schemes do not seem to be improving sufficiently. These include: ▪ **Blue Label:** We have raised concerns about the methodology used for performance conditions in the past. The disclosure quality regressed in 2024. ▪ **Life Healthcare and Old Mutual:** Both firms' policies outlined a single incentive structure where all performance-based pay is subject to a one-year measurement period. We have raised our concerns about these schemes. While we are not opposed to such structures, as they can be effectively designed, their effectiveness relies on the inclusion of long-term performance mechanisms. However, these were absent in Life Healthcare and Old Mutual's remuneration policies tabled in 2024. **Using abstentions:** Abstentions are rare and often used when we lack the necessary information, or to prompt further improvements. Remuneration policies are forward-looking, showcasing the terms and conditions for future incentives. In some cases, policies have unique features, and the full extent of their effectiveness will only be visible on implementation. This is the case with **Glencore**, where the CEO's remuneration is subject to performance underpins (which are discretionary in nature) as opposed to conventional performance conditions. We abstained from the policy, as we have yet to see how effective these underpins will be in measuring performance.

Category	General	2024 examples
Non-executive remuneration 5%	We assess non-executive director fees both in absolute terms and relative to industry standards, and we consider the specific context of each company. We recognise the importance of recruiting strong, high-calibre directors and acknowledge that the increasing risks and responsibilities associated with serving as a non-executive director of a JSE-listed company have affected the overall value proposition.	**Tiger Brands:** We acknowledge that some companies differentiate between their non-executive director fees for resident and non-resident directors, which results in a foreign premium, often a cost-of-living adjustment and an excess. However, we encourage the rationale behind the foreign premium to be transparent. In the case of Tiger Brands, we consider there to be insufficient disclosure of the components of their foreign premium.
Auditors 1%	This category includes auditor appointments and reappointments. Broadly, we believe the audit committee is best positioned to advise on external auditor appointments as they are privy to details shareholders are not. However, it is part of our role to consider the publicly available information on registered auditors. This would include checking whether a registered auditor has been sanctioned by the Independent Regulatory Board for Auditors (IRBA). As highlighted in our 2023 Stewardship Report, we engaged with IRBA to get a better understanding of their investigation process, which led to the creation of our internal listing of sanctioned auditors.	**Manufacturing company:** This category only includes one recommendation. We recommended against the reappointment of an external auditor where the registered auditor had been sanctioned by IRBA for improper conduct in relation to a different audit engagement. We raised this with the audit committee, who assured us they will be exercising additional oversight.
Other 10%	This category includes administrative resolutions such as requests to shorten the notice period for general meetings, the occasional merger and acquisition (none in 2024), and resolutions to discharge directors of liability, which is often tabled by dual-listed companies with listings in Europe.	**Anheuser-Busch InBev SA and Prosus:** We acknowledge that resolutions to discharge directors of liability are common in European jurisdictions, however, our preference is to be prudent and oppose these resolutions to allow companies the opportunity to pursue legal action against directors, should the need arise in future. **British American Tobacco and Anglo American plc:** We are against shortening the notice period for general meetings, as we have internal processes to follow and seek to provide recommendations to clients timeously.

GLOBAL MARKET

Overview

In 2024, all of our clients' global holdings were based in the United States. The proxy voting environment in the US differs significantly from the South African market. Shareholder-initiated resolutions, referred to as shareholder proposals, are a common feature. This prevalence is largely due to the low ownership threshold required to submit such proposals. These resolutions are typically advisory and seldom garner strong support. A unique aspect of US proxy statements is the inclusion of board recommendations for each resolution, accompanied by a rationale. Boards generally recommend voting against shareholder proposals.

In South Africa, shareholder rights are largely codified within regulatory frameworks. In contrast, US companies exert greater control over defining shareholder rights, including the frequency and nature of resolutions. For example, US companies determine how often directors stand for re-election and whether shareholders can call special meetings, as well as the ownership percentage required to do so. These elements are legislatively prescribed in South Africa. This regulatory flexibility in the US contributes to the varying composition of dissenting votes, as the types of resolutions tabled differ significantly between companies.

Dissenting votes

Our clients participated in three AGMs within the global market in 2024, where a total of 10 shareholder proposals were tabled. These resolutions obtained on average 15% shareholder support. Each proposal was evaluated on a case-by-case basis; however, we did not recommend supporting any of them, as they did not align with our clients' best interests. These proposals covered a broad range of topics, including requests for specific audits, publications and amendments to company by-laws.

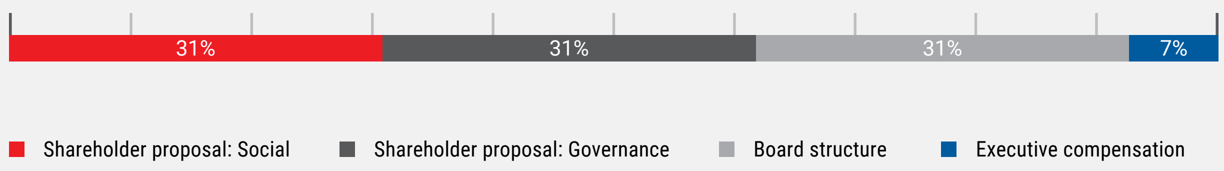
Consistent with our approach in other markets, we prioritise addressing key concerns through direct engagement with companies. While this approach may not always be feasible, governance engagements provide an opportunity to raise ESG-related matters of concern directly with company representatives. During the period, we engaged with two of the three companies on AGM matters: Booking Holdings and Walt Disney. We remain open to supporting shareholder proposals when they align with our clients' interests.

Following dissenting votes related to shareholder proposals, the largest category of dissenting votes related to board structure – particularly the proxy contest at Disney. Shareholders Trian Partners and Blackwells Capital nominated directors to the board. Following engagement with Disney prior to the AGM, we recommended supporting the existing board, which required opposing the nominees proposed by Trian Partners and Blackwells Capital.

Executive remuneration constitutes a smaller proportion of dissenting votes compared to the South African market. As noted, the US exhibits less standardisation in the composition of resolutions tabled annually. For instance, JSE-listed companies in South Africa are required to table executive remuneration resolutions each year. In contrast, US companies present a frequency resolution, allowing shareholders to indicate how often they wish for executive remuneration to be tabled.

Our approach remains principle-based rather than rule-based. The strength of a company's remuneration framework, as determined by our internal remuneration assessment, guides our preference for how frequently we require this resolution to be tabled.

Figure 3: Dissenting votes per resolution for the global market



FRONTIER MARKETS

Overview

In contrast to our clients' global market holdings, which comprised only the United States in 2024, our clients' frontier market holdings span multiple regions with substantial disparities in shareholder rights and the types of resolutions tabled. These differences are driven by the varying regulatory frameworks and corporate governance standards across regions. To provide high-quality voting recommendations, we rely on robust underlying research and require a minimum standard of disclosure to make informed decisions.

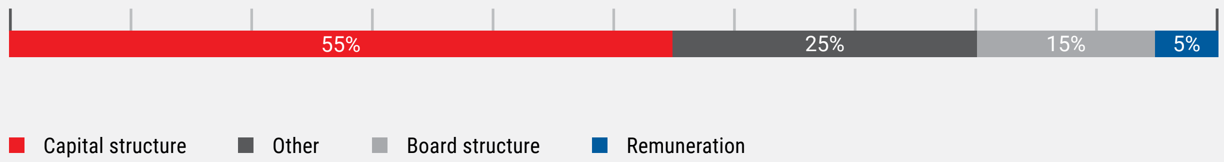
Dissenting votes

The composition of resolutions in frontier markets varies significantly by region. For instance, many of the resolutions forming part of the capital structure category relate to companies with a primary listing in the United Kingdom.[1] A common resolution in the United Kingdom involves authorising the issuance of shares without pre-emptive rights. Pre-emptive rights safeguard existing shareholders from dilution by ensuring they receive a proportional offer of new shares. Our default position is to oppose such resolutions to protect shareholders from potential dilution. This contributes to the capital structure category being the largest of our dissenting votes.

A key constraint in frontier and Africa ex-SA markets is the limited quality of disclosure on AGM matters. For example, markets such as Vietnam and Kuwait often provide insufficient information about directors up for appointment or re-election. Consequently, as shown in Table 1 on page 32, recommendations to abstain or vote against are considerably higher in these markets.

Executive remuneration in frontier markets faces unique challenges, as many regions do not mandate pay disclosure, limiting pay transparency. This creates benchmarking complexities for companies that do disclose and table executive remuneration resolutions, such as Bank of Georgia and TBC Bank – two Georgian banks we have engaged with over recent years.

Figure 4: Dissenting votes per resolution for frontier markets



[1] The primary listing may not represent the geographical location of the company's operations. The fund invests based on the primary place of operation, not listing.

AFRICA EX-SA MARKET

Overview

The Africa ex-SA market faces similar challenges to frontier markets, with the most significant being the quality of disclosure around AGM resolutions. This often limits our ability to make informed recommendations, resulting in higher abstentions and dissenting votes.

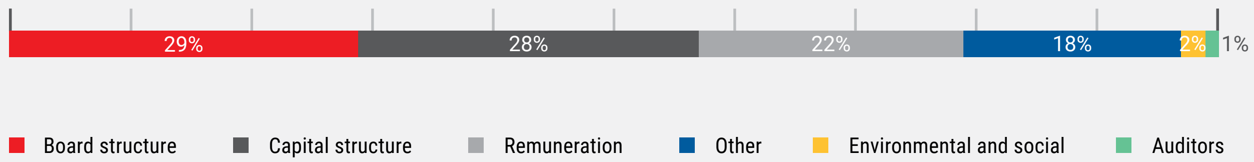
Dissenting votes

Given that not all regions require the same resolutions to be tabled, the remuneration category includes resolutions relating to executive remuneration, directors' fees and auditors' remuneration. In past years, we noted that we provide companies with disclosure recommendations, but for this to significantly improve, we require regulatory advances in the relevant corporate governance codes. That remains necessary; however, we have observed meaningful progress among companies with which we have engaged.

For instance, remuneration resolutions, which accounted for 36% of dissenting votes in 2023, decreased to 22% in 2024. Companies such as FirstRand Namibia exemplify this progress, where enhanced disclosure enabled us to move from abstaining to recommending in favour of their executive remuneration resolution. These improvements are particularly notable as they reflect proactive self-regulation, with companies enhancing transparency to shareholders simply because it aligns with good governance practices.

The reasons for our dissenting votes in the "board structure" and "capital structure" categories are largely consistent with those outlined for the South African market. The "other" category includes administrative resolutions, such as approving minutes, reports, and amendments to company policies, including the memorandum of incorporation and articles of association.

Figure 5: Dissenting votes per resolution for Africa ex-SA



ANNEXURE 7: PROGRESS AGAINST ESG COMMITMENTS

In our 2021 Stewardship Report, we set out ESG engagement and performance commitments for 2022 to 2025 in a drive towards greater self-accountability and transparency with our clients. We have provided annual updates in our subsequent stewardship reports. Below, we include progress updates on our engagement and performance targets for 2024 to 2025.

While executing on our targets has been a valuable learning experience and served as a good baselining activity (for example on companies' greenhouse gas emissions), we have decided against setting targets for the 2025-2028 period. This is because ESG issues are dynamic, as global and local events have highlighted over the last few years, and we would like to maintain flexibility to channel ESG resources accordingly. We will continue to report on engagements and outcomes to maintain transparency.

Year of completion	Commitment	Progress update
2024	Mining companies identified as high-risk must have improved their total recordable injury frequency rate by at least 15% by 2024 versus a 2021 baseline. We will also review absolute fatalities within this metric. Failure to achieve this target will trigger further safety engagement, unless their safety track record deteriorates leading up to this and we engage sooner.	As expected, from 2021 to 2024, some of our clients' top shareholdings have changed. In 2021, Glencore, Sibanye-Stillwater and AngloGold Ashanti were identified as high-safety-risk companies in our clients' top holdings. We reported on the subsequent engagements held and work performed in this regard in our 2022 Stewardship Report. Most noteworthy was our safety-focused meeting with Sibanye-Stillwater's CEO and chief regional officer of Southern Africa. Sibanye-Stillwater's operations are inherently high-risk, and as such, they recorded the highest number of annual fatalities within our clients' mining holdings. Not all companies' sustainability reporting for the 2024 financial year was available at the time of publication of this report. As such, we have changed our disclosure period for this exercise from 2019-2023 (2020 was an "abnormal" year due to COVID-19). This extends the time frame, which supports trend analysis. Mining companies' safety metrics are inherently non-linear, making it difficult to conclude the direction of travel (positive or negative) over the short term. As at the end of 2024, our clients' top three mining holdings were Glencore, AngloGold Ashanti and Gold Fields. Each company's total recordable injury frequency rate (TRIFR) in 2019 and 2023 was as follows: **Company** / **2019** / **2023** / **% change** Glencore / 2.86 / 2.16 / −24% AngloGold Ashanti* / 2.14 / 1.09 / −49% Gold Fields / 2.19 / 2.36 / +8% *The 2019 figure excludes South African assets that were sold in 2020. TRIFR is one of several metrics and considerations in the assessment of safety performance. However, AngloGold Ashanti and Glencore have shown a pleasing trend in terms of TRIFR reductions. Gold Fields' TRIFR has increased over the reported period. We have already engaged with Gold Fields on safety, among other ESG issues, during our annual ESG meetings with the company in 2023 and 2024. We are comfortable that safety remains a key focus area, but will continue to monitor performance. AngloGold Ashanti experienced no fatalities in 2022 and 2023, while Gold Fields recorded one to two fatalities per annum since 2018. Glencore's fatalities have reduced significantly from over 10 per annum over 2017-2019 to four per annum over 2021-2023. Of course, all companies remain committed to eliminating fatalities, and we fully support this effort. However, given the nature of operations, this becomes incrementally harder as reductions are achieved.

Year of completion	Commitment	Progress update
2024, moved to 2025	All holdings considered to have high potential biodiversity impacts in our top 40 local equities as of December 2021 must have had robust biodiversity strategies in place by end-2024. Some of these companies already did, but this target aims to strengthen focus on this environmental issue and broaden this initiative.	Upon further research into biodiversity management and reporting, we recognised the need to first upskill ourselves on best practice. This is challenging as biodiversity considerations are unique depending on the geography, ecosystem, species, etc. We reached out to the Endangered Wildlife Trust (EWT), given their expertise in this area and their experience in compiling the Biodiversity Performance Ratings of South African Companies reports. Following our introductory meeting with EWT, we enquired whether they would be willing to host a training session on biodiversity accounting, management strategies and target-setting for asset managers, to which they have agreed. We have raised this with peers and intend to host this event in 2025. We will provide a more detailed update on our biodiversity efforts in our next integrated stewardship report.
2025	Engage with investee companies to set science-based greenhouse gas emission reduction targets. Our aim is that at least 30% of the financed emissions of our clients' top 40 local equity holdings must have committed to a science-based target by end-2025, preferably verified by the Science Based Targets initiative (SBTi), and if not, on an explain basis.[1]	In 2024, we engaged with several companies in the resources sector on their decarbonisation targets. We report on progress with regard to financed emissions in our separate annual carbon accounting report. For the latest update, please see Annexure 8. At the end of 2024, 24% of the financed emissions of our clients' top 40 holdings had a net-zero commitment verified by the SBTi or publicly claimed a science-based approach to target-setting.

[1] This is not yet possible for certain companies due to methodology complexities, e.g. the diversified miners.

ANNEXURE 8: CARBON ACCOUNTING REPORT

Our carbon accounting primer explains the main methodologies for the measurement of financed emissions in the asset management industry. In this report, we calculate the weighted average carbon intensity (WACI) and economic emissions intensity (EEI) of our clients' combined portfolios. We also report on the progress towards achieving our emissions-related performance target for 2025, as committed at the end of 2021, and disclose the carbon emissions from our own operations for the first time.

TERMINOLOGY

Financed emissions, also referred to as the absolute carbon footprint, refer to the absolute greenhouse gas (GHG) emissions "owned" or financed by an asset manager or specific portfolios under management, calculated by aggregating the attributable GHG emissions of each portfolio constituent.

Economic emissions intensity (EEI), also referred to as the relative carbon footprint or financed emissions to value invested, calculates an investment portfolio's financed emissions per US$ million invested (or other currency). In doing so, it allows for a like-for-like comparison of portfolios of different sizes.

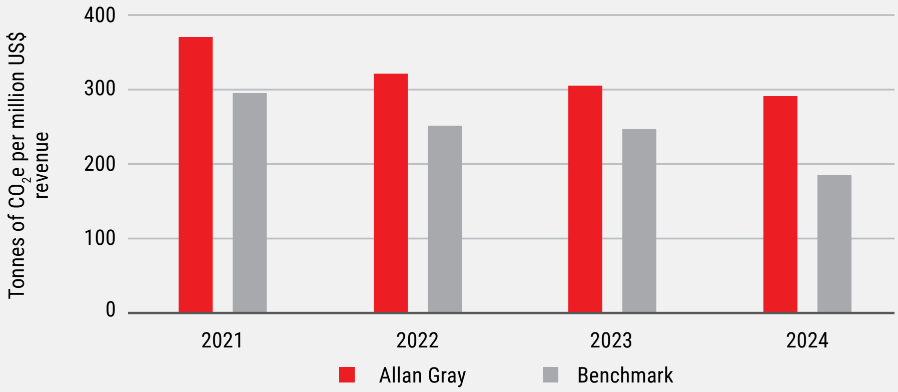
Weighted average carbon intensity (WACI) aggregates the GHG emissions per US$ million of revenue (or other currency) generated by a portfolio's constituent holdings. It can be thought of as an efficiency measure.

PORTFOLIO CARBON FOOTPRINT

Figure 1 reflects the WACI of the portfolio of local equities across all South African mandates, compared to that of the FTSE/JSE Capped Shareholder Weighted All Share Index (the benchmark) as at year-end over the past four years.

In 2024, the portfolio's carbon intensity declined marginally from the previous year but remained ahead of that of the benchmark index. This does not contradict our approach; rather, it reflects the fact that we do not limit exposure to high emitters, as we do not believe that divesting from fossil fuels and high-emitting stocks is a solution to climate change. We accompany our investments in high emitters with detailed analyses of their historical emissions and decarbonisation strategies, among other factors, to ensure critical thinking around emission reduction. The backward-looking nature of the WACI does not capture the portfolio's exposure to companies where the environmental position is expected to improve over time. We avoid divestment to achieve low-carbon portfolios over the short term.

Figure 1: Weighted average carbon intensity[1]



[1] Previously reported figures have been updated to reflect restatements and delayed emissions disclosure. Emissions data is sourced from Bloomberg.

As in previous years, the portfolio's WACI is driven by overweight positions in some of the outliers from a carbon-intensity perspective, as shown in **Figure 2**: Sasol, South32, Sappi, African Rainbow Minerals and Merafe Resources.

Sasol makes an outsized contribution (31%). As discussed in Annexure 4 of our 2023 Stewardship Report, we engage management on a regular basis to discuss the responsible decarbonisation of the business and monitor progress, while recognising the critical role the company plays in the South African economy.

The environmental impact of platinum group metals (PGMs) companies, such as African Rainbow Minerals, is significant but should be weighed against the important role that PGMs play in reducing airborne pollutants from internal combustion engines and the fact that they are essential in the development of a hydrogen economy. Similarly, many of the commodities in South32's portfolio will play a critical role in the transition to a low-carbon economy.

Sappi has made firm commitments around emission reduction with target approval by the Science Based Targets initiative (SBTi) achieved in 2022. Separately, one should bear in mind that its emissions do not reflect the carbon sequestration provided by its plantations.

Merafe Resources is one of the lowest-cost ferrochrome producers in the world. While an energy-intensive business, it has committed to reduce total emissions by 15% by 2026 and 50% by 2035 from 2019 levels. While our clients have very limited exposure to the company, it features prominently as a result of its high emissions per unit of revenue.

Sasol is the single largest contributor to the benchmark's WACI as well, as shown in **Figure 3**. High-emitting miners Harmony Gold, Anglo American, Gold Fields and Impala Platinum all make disproportionate contributions to the benchmark's carbon intensity in relation to their respective benchmark weights.

Figure 2: Contributors to portfolio carbon intensity

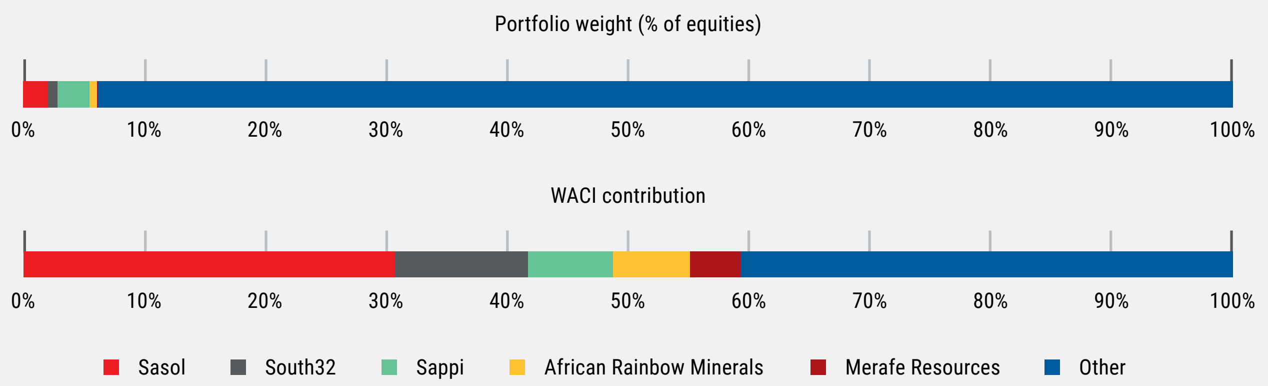
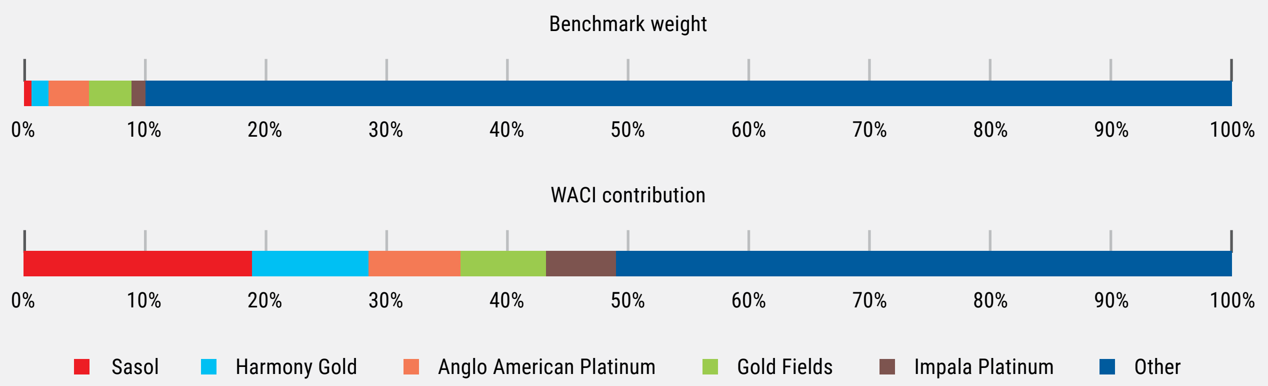


Figure 3: Contributors to benchmark carbon intensity



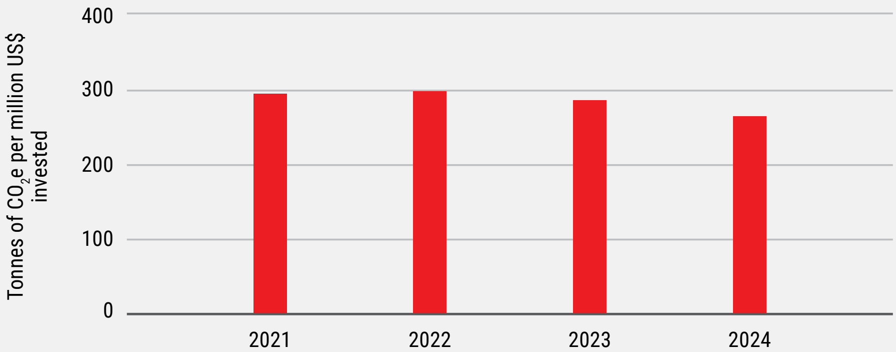
The carbon footprint of the portfolio of local equities and corporate bonds held across all South African mandates, as measured by the EEI prescribed by the Partnership for Carbon Accounting Financials, is shown in **Figure 4.** A gradual decline was observed over the past three years. We report on the portfolio's carbon footprint per million US dollars, which ensures like-for-like comparability with a wider range of managers. This highlights another challenge of carbon reporting: Many asset managers report in their local currencies, hindering comparability.

PERFORMANCE TARGET

In a drive to greater self-accountability and transparency with our clients, we set out a selection of our future ESG engagement and performance targets in 2021. Under our climate change performance target, we committed to engage with investee companies to set science-based greenhouse gas emission reduction targets, with the objective that 30% of the financed emissions of Allan Gray's top 40 local equity holdings must have committed to a science-based target by 2025, preferably verified by the SBTi, and if not, on an explain basis. Our reason for this was twofold: 1) to keep the focus on real-world emission reduction rather than investment portfolio-level targets, which are influenced by various factors and, in our opinion, have limited value, as discussed in our carbon accounting primer, and 2) to use the financed emissions measure to maintain a focus on the most material emitters and positions, where management's thinking on suitability and adaptability in a changing world is important.

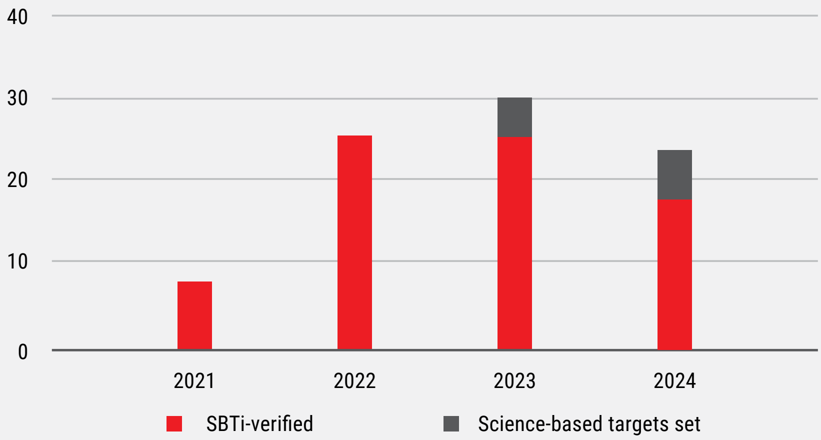
In **Figure 5**, we reflect our progress towards achieving this objective as at end-2024, indicating the percentage of the top 40's financed emissions where the investee company had its net-zero commitment verified by

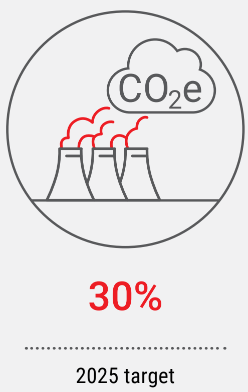
Figure 4: Portfolio economic emissions intensity[2]



[2] Previously reported figures have been updated to reflect restatements and delayed emissions disclosure. Emissions data is sourced from Bloomberg.

Figure 5: Performance target update[3, 4]





[3] Based on SBTi and Bloomberg data.
[4] Previously reported figures have been updated to reflect restatements, delayed emissions disclosure and methodology changes.

the SBTi or publicly claims a science-based approach to target-setting. Importantly, the quantum of financed emissions under science-based targets has remained unchanged from 2023. However, increased exposure to Sasol explains a decline in the percentage of financed emissions under science-based targets from 30% in 2023 to 24% as at the end of 2024. We included companies that cannot be verified owing to shortcomings of the SBTi's methodologies, but excluded Sasol in light of its significant emissions despite its ambitious climate commitments.

During the year, we engaged with a number of high emitters to discuss their emission reduction targets. Many, particularly in the mining sector, voiced constraints with certain external verification providers over what they perceive as an overly rigid pathway approval process, shifting goalposts and a lack of recognition of industry-specific challenges. Additionally, companies unable to apply existing SBTi methodologies, such as diversified miners, continue to face significant hurdles in setting and validating their targets. We will continue to encourage responsible decarbonisation through a science-based approach that recognises the regional context.

OPERATIONAL EMISSIONS

In line with our pursuit of improvements in our process and disclosure over time, we are publishing Allan Gray's operational emissions for the first time. **Table 1** shows the scope 1, 2 and 3 emissions of our South African operations for 2024, based on the GHG Protocol classifications. Scope 1 and 2 emissions reflect fossil fuel combustion and electricity use in our offices, while scope 3 emissions are limited to those from business-related air travel only – our largest upstream scope 3 category. While our emissions are relatively small as a result of the nature of our business and thoughtful design of our facilities, we remain mindful of our impact on the environment and are always looking for ways to minimise our business's ecological footprint.

Table 1: Greenhouse gas emissions[5, 6]

	2024
	Tonnes of CO_2e
Scope 1	89
Scope 2	3 767
Scope 1 and 2	**3 856**
Scope 3	1 017
Total	**4 873**

3.5 tCO_2e

Total per full-time employee

[5] Operational emissions are based on our own calculations and are not externally assured.
[6] Scope 3 emissions reflect only those relating to air travel.

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