

How are Investment team members remunerated?

Allan Gray's remuneration philosophy for senior staff is aimed at ensuring that they behave like owners rather than managers. Our remuneration structure for senior investment professionals is based on principles that are consistent with our approach to investing and has proven successful over time.

Portfolio managers are rewarded for performance through long-term equity-type exposure rather than short-term incentives – they do not receive annual bonuses but rather participate in the profits of the firm. Remuneration is structured such that the full rewards of success accrue over time, with a meaningful portion accruing post-departure. This avoids "short-termism" in investment decisions – with consideration of client outcomes even beyond the period of employment. It also encourages a focus on building succession within the team, as future rewards depend on the success of the next generation of portfolio managers.

Members of the Investment team who do not participate in the executive scheme are paid bonuses and may allocate a portion thereof to participate in the staff share scheme depending on individual performance. The quality of investment ideas and research is considered in the appraisal process rather than whether investment ideas have paid off over the short term.

Experienced analysts are offered the opportunity to manage a paper portfolio (known internally as an "analyst recommendation list" or "ARL"). The ARL operates in a realistic fashion: analysts enter buy and sell orders, they are charged market impact cost, and they are allocated trades based on actual volumes trading in the market. We consider the performance of each analyst's ARL, in addition to the quality of their research, in determining performance rewards. Base salaries are market-competitive and benchmarked annually against industry surveys carried out by reputable recruitment consultants.

Our approach to remuneration encourages responsible investment and diligent stewardship. We believe that due consideration of sustainability considerations in the investment process and the ownership services we provide can enhance our clients' long-term investment returns. This in turn results in higher performance fees and a concomitant increase in the firm's revenue. As such, portfolio managers and share scheme participants benefit when our clients do well and earn significantly less when we do not meet our objectives.

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