

Allan Gray recognises that climate change is one of the biggest threats facing society today.

As a responsible investment manager focused on protecting and growing our clients' wealth, we fully support the transition to a low-carbon economy and an environmentally sustainable future. We recognise the role we play in being part of the solution, and what this means for the companies we invest in and the South African economy more broadly, which is why environmental and social considerations are embedded in our investment process. This position informs our activities.



We vote in favour of climate change resolutions that have a chance of making a real difference.

For example, we have historically voted in favour of resolutions proposing that banks produce fossil fuel policies on how they plan to approach lending to this sector going forward. We will not vote in favour of resolutions for the sake of grandstanding, or where we believe the cost-benefit of implementation makes no sense. Our decisions are based on research, evidence and facts.



All our valuations and investment research reports include a risk rating, which limits the position size of the investment in our clients' portfolios.

This risk rating incorporates multiple factors, including our assessment of the climate risks facing the investment, both directly and indirectly. We ask questions such as: *Is the company a substantial emitter of greenhouse gases and is it able to materially reduce emissions or not? Does the company's management acknowledge the issue and what are they doing about it? Is this strategy sound or, alternatively, is management demonstrating consistent progress in its decarbonisation roadmap and trajectory?* We pay close attention to whether the targets are science-based, i.e. aligned with the 2015 Paris Agreement. Accordingly, we discount a company's valuation if we do not believe it can evolve and thrive in a low-carbon future.



We engage with management on climate risks and use our influence to push for positive change and to encourage better environmental decisions.

Where companies are heavily reliant on fossil fuels, we apply pressure to make sure that they are thinking critically about how to reduce their greenhouse gas emissions and report clearly on their progress or constraints so that shareholders and the public can make better-informed decisions. We actively encourage companies to invest in renewable power and move away from fossil fuel-based electricity sources. We also engage with the banks on fossil fuel financing and disclosure.



We report on climate change-related engagements in our Stewardship Report.

We also include data on the carbon intensity of our top equity holdings. The Stewardship Report is published on an annual basis and is available on our website.



We do not believe divestment is the solution.

Simply selling a position or encouraging a listed company to, for example, sell its coal assets, just moves the asset from one hand to another. In fact, a responsible, listed company selling dirty assets to an irresponsible, unlisted company may make the situation worse. This is different to putting new capital into the fossil fuel sector. We will not invest in coal or oil initial public offerings, as these add capital to the sector.

Our fiduciary responsibility to clients is to invest in undervalued companies that offer good potential returns over the long term. The South African market is highly concentrated and the options available for carbon-neutral investments are limited, but we work within these constraints to maximise returns while also incorporating sustainability considerations. The ability of a business to operate sustainably is a key Allan Gray investment tenet.

Definitions

Allan Gray refers to Allan Gray Group Proprietary Limited and its subsidiaries, which includes Allan Gray Proprietary Limited.

Review

This position statement will be reviewed on an annual basis from 2022 and approved by the chief investment officer.

Version	Approved by	Summary of changes	Effective date
1.0	Andrew Lapping	Creation	March 2018
2.0	Duncan Artus	Design update, minor changes	August 2022