

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. These are some of our current activities:

- We vote in favour of climate change resolutions that have a chance of making a real difference. 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 policy group reports include a risk rating. This risk rating includes an 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 are they able to materially reduce emissions or not? Does management acknowledge the issue and what are they doing about it? We discount a company's valuation if we don't believe it can evolve and thrive in a low carbon future. In addition, we limit the position size based on climate risk factors, particularly emissions.
- We engage with management on climate risks and use our influence to push for positive change and to encourage companies to make 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 decisions. We actively encourage companies to invest in renewable power and move away from fossil fuel-based electricity sources.
- From 2020, we will report on climate change-related engagements in our annual Stewardship Report. We intend to include data on the carbon intensity of our top equity holdings in the portfolio. The Stewardship Report is published on our website in the first quarter of every year.
- We don't 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 (IPOs), as these IPOs 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 local 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 focusing on sustainability. The ability of a business to operate sustainably is a key Allan Gray investment tenet.