ALLAN GRAY

DEFINITIONS

Allan Gray / Allan Gray Group

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

Allan Gray Unit Trust Management

Allan Gray Unit Trust Management (RF) Proprietary Limited, a wholly-owned subsidiary of Allan Gray Proprietary Limited.

Allan Gray Life

Allan Gray Life Limited, a wholly-owned subsidiary of Allan Gray Proprietary Limited.

CRISA

Code for Responsible Investing in South Africa.

POLICY ON OWNERSHIP RESPONSIBILITIES

Allan Gray manages investment portfolios for its clients. The full economic benefit of the assets in all of these portfolios belongs to our clients, not to us. Our clients pay us a fee for our services. In the terminology of CRISA, Allan Gray is a service provider.

We believe that we can assist investors to diligently exercise their ownership responsibilities. This assistance is an important component of the overall service we provide to our clients. This assistance is not motivated by a "tick-box" mentality. We believe that by providing this service, we can enhance our clients' long-term investment returns.

The two primary ways in which we seek to assist our clients in exercising their ownership responsibilities are:

- Engaging, on their behalf, with company directors; and
- Recommending how they should vote their shares at shareholder meetings

Engagement

Our aim in engaging with a company's directors is to further the best interests of our client's holding shares in the company by encouraging the directors to act in a way which enhances or preserves shareholder value. We aim at all times to engage constructively with company directors, as we believe that constructive engagement is more likely to succeed than hostile engagement.

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 the company rests with the 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 over its broad strategy, particularly with regard to capital allocation. When offering our views, we try to do so with humility.

The chairman or non-executive directors of a company may request meetings with us from time to time. These meetings are usually arranged by the non-executive directors to elicit feedback from shareholders on matters such as the company's broad strategy, remuneration policy, the performance of executives, or any other matters. When offered these opportunities, we aim to 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.

Our portfolio managers are responsible for identifying strategic, sustainability or governance concerns with companies held in the portfolios under their management. This is consistent with our objective to hold our portfolio managers individually accountable for the performance of the portfolios under their management. Portfolio managers will rely on many sources, including the press, to identify such concerns. When evaluating such concerns, we will take into account the King Code and other widely accepted guidelines considered relevant by the portfolio manager at the time and both current and proposed law and regulations. Guidelines, which allow for deviations if explained, will not override our own common sense and judgement as to what is in our clients' best interests in any given circumstance.

If we identify such concerns, and we do not expect to have an opportunity to communicate these concerns to the company within a reasonable period, we may contact either the company's executive or non-executive directors in order to communicate our concerns. We may communicate verbally and / or in writing if we wish for our concerns to be placed on the record.

On rare occasions, our efforts at constructive engagement and persuasion may fail. If our efforts at constructive engagement fail, and we continue to harbour material concerns about the strategy, sustainability or governance of a company, we may begin to engage with the company's directors in a more forceful manner, including to:

- Recommend that our clients vote against certain resolutions at shareholder meetings (including the election of directors);
- Attend a shareholder meeting on our clients' behalf and voice our concerns;
- Request the company's directors to add a new independent director to the board (this new director may or may not be nominated by us);
- Call for a general meeting of the shareholders of the company in terms of section 61 of the companies act of 2008 (provided that we are able to do so);
- Report our concerns to the relevant authorities, if appropriate; and/or
- Institute legal action to enforce shareholder rights.

Before deciding to embark on any one or more of the more forceful actions listed above, we consider whether:

- Our clients have a reasonable prospect for success;
- The proposed action may impede our ability to further effectively manage our clients' investment in the company concerned;
- There are potential conflicts of interest between any of our clients or between our clients and Allan Gray in the matter;
- The time and effort required to pursue the forceful action is commensurate with the potential benefit for our clients if we succeed; and
- The nature of the planned action is appropriate in the circumstances.

We will not act in a forceful manner merely to assert ourselves or to generate publicity. If our concerns regarding a company's strategy, sustainability or governance cause us to lower our estimate of the company's intrinsic value, we may sell the company's shares.

From time to time, companies may request to share information, which they regard as material and price sensitive, because it is not yet in the public domain. Provided that this information will either be made public or lose its relevance within a period of a few weeks, we believe that it may be in our clients' best interests, depending on the specific circumstances at the time, to agree to become party to this information. If we do so, we follow the procedures outlined in our Inside Information Policy (which cover applicable legal requirements), including placing an immediate ban on trading in the relevant share/s and ensuring immediate isolation of the information. In deciding on whether to become party to this information, we weigh up the benefit of engaging with the company and potentially influencing a significant event in the life of the company, against the opportunity cost of not being able to trade in the share for the duration of the trade ban.

Our policy with regard to material, price-sensitive information is different to practice recommendation 7 of CRISA, which recommends that service providers implement controls to prevent the receipt of such information under all circumstances. In certain circumstances, becoming party to material, price-sensitive information in a strictly controlled manner and for a limited period, affords us the opportunity to engage with company directors and influence their thinking on potential events of significant importance for the company for the benefit of our clients. Indeed, companies are sometimes unwilling to publicly announce potential transactions without first hearing the opinions of representatives of their major shareholders. Thus, we believe that it is in our clients' best interests to deviate from practice recommendation 7 of CRISA.

We expect all company executives and representatives to be aware that we never wish to be made party to material, price-sensitive information without them first formally inviting us to become party to such information and offering us the opportunity to either accept or decline their invitation. On rare occasions, a company representative may inadvertently say something to us, which could be regarded as material, price-sensitive information. In such circumstances, there is clearly nothing we can do to prevent the receipt of such information once it has already been received, and we will follow the procedures outlined in our Personal Investment Policy.

Voting at shareholder meetings

We recommend to clients how we believe they should vote their shares at shareholder meetings of all companies in which either:

- The value of our clients' aggregated holding exceeds 1% of the total value of South African equities under our management at the time; or
- Our clients' aggregated holding exceeds 4% of that company's shares in issue at the time.

We may make recommendations for shareholder meetings of companies which fall below these thresholds if we believe that special circumstances warrant such action.

The analyst in our investment team who is responsible for researching the company considers the proposed resolutions, and recommends votes to the portfolio manager primarily responsible for the share. This portfolio manager is responsible for reviewing the proposed resolutions and writing letters to our clients containing our voting recommendations. If the company concerned accounts for more than 2.5% of the total value of South African equities under our management at the time, then a second portfolio manager is required to review and approve the voting recommendation.

We believe that it is preferable to impose this responsibility on the relevant portfolio manager, as opposed to delegating it to a compliance department, as the portfolio manager will have a thorough knowledge of the company concerned, and the portfolio manager is aligned with our clients in seeking the maximum long-term value. Furthermore, we believe that this reinforces the individual accountability of our portfolio managers for the performance of the funds under their management.

We recognise that just as there is scope for differences of opinion over a company's intrinsic value, there is scope for differences of opinion over whether a resolution proposed to shareholders is in their best interests. Of course, that is why companies seek a vote from all shareholders, but only require the approval of a majority (or 75% in some cases) of shareholders for a resolution to be passed. We recognise that from time to time we may hold a minority view. While we may try to persuade the company's directors of our view, we expect them to act in accordance with the wishes of the majority of the company's shareholders.

Nevertheless, we believe that it is important for minority views to be expressed at shareholder meetings. We do not reserve our recommendations to vote against resolutions only for occasions when we sense a groundswell of shareholder opinion that conforms with our view. We recommend votes that we believe to be in the best interests of our clients holding the share, regardless of whether our view falls into the majority or minority.

Sometimes we may be called upon to make a judgement on the appropriate voting recommendation based on our subjective assessment of the balance of probabilities at the time. We recognise that we may make errors of judgement from time to time, but we will always make voting recommendations which we believe at the time to be in the best interests of our clients holding the share.

From time to time, companies may, prior to a shareholder meeting, request us to undertake that we will recommend to our clients that they vote their shares in a certain manner. We will only do so if we believe the relevant resolutions to be in the best interests of our clients holding the shares, and if by doing so, we materially increase the probability of the relevant resolution being proposed and supported. Of course, we cannot bind our clients to vote in a certain way, and in this case as in all others our clients are free to disagree with our voting recommendations and vote in the manner they see fit.

The portfolios under our management can be classified as:

- Segregated Portfolios
- Unit Trust Portfolios (managed by Allan Gray Unit Trust Management)
- Pooled Portfolios (administered by Allan Gray Life)

The ultimate ownership responsibility for the shares held in the Segregated Portfolios and Unit Trust Portfolios rests with our clients' appointed trustees. For the Segregated Portfolios, this is the trustees of the relevant client (typically a large pension fund). For the Unit Trust Portfolios, this is the trustee of the unit trust scheme appointed in terms of section 68 of the Collective Investment Schemes Control Act of 2002 and approved by the Registrar of Collective Investment Schemes (presently Rand Merchant Bank, a division of FirstRand Bank Limited). In exercising their ownership responsibilities our clients' appointed trustees will consider our voting recommendations, but they hold and control the voting rights at all times. From time to time, our clients' appointed trustees disagree with our voting recommendations, in which case the relevant trustees instruct us or their custodians as to how they wish their shares to be voted.

Although the full economic benefit of the Pooled Portfolios belongs to the clients (policyholders) of Allan Gray Life, the assets in these Pooled Portfolios are included together with a matching policyholder liability on Allan Gray Life's balance sheet. The directors of Allan Gray Life thus assume an ownership responsibility and control the voting rights in respect of the shares held in these Pooled Portfolios. Allan Gray thus fulfils the role of both a service provider and an institutional investor (as defined by CRISA) in respect of the Pooled Portfolios. We disclose our voting recommendations, together with the outcome of the shareholders' vote on each relevant resolution quarterly on the Allan Gray website.

Companies' annual general meetings (AGMs) typically require shareholders to vote on three matters of substance in addition to the usual "house-keeping" resolutions. These matters are:

- Appointment or re-election of directors
- Remuneration policy
- Permission for the issue or repurchase of the company's shares

We consider these matters on a company-by-company basis, taking into account the special circumstances which may be affecting a company at the time. In forming our view on the appropriate voting recommendation, we typically consider the following factors.

Appointment or re-election of directors

If we have concerns that the election of an individual director may not be in the best interests of all shareholders, we may recommend abstaining from voting on that director's election or voting against the election of that director. We are not privy to what happens in company boardrooms, which makes it very difficult for us to determine whether an individual director is making a positive, negligible or negative contribution. Thus, we do not require conclusive evidence to recommend voting against a director. If we believe on a balance of probabilities that shareholders could be better served by another director, then we may recommend voting against the re-election of the incumbent director. In forming these assessments we may consider the director's performance on other company's boards and the overall performance and composition of the board of the company in question. If the overall performance of a company's board is disappointing, or we believe that there are too many directors on a company's board, we may recommend voting against one or a number of directors.

Remuneration policy

Companies are now putting forward non-binding resolutions on their remuneration policy at their AGMs. We view this as a positive development. While the shareholders' vote on remuneration policy is not binding on the company, it does present opportunities for engagement with the company's remuneration committee. Remuneration practices and policies are evolving. Many of today's remuneration schemes are vast improvements on the simple share option schemes which were common a decade ago. We expect that they will continue to evolve and improve as companies compete for the best executives, and as the matter receives more attention from shareholders.

We believe that we can play a constructive role in the continued improvement of companies' remuneration policies by recommending voting against policies which have fallen materially behind current best practice. A vote against a company's remuneration policy normally leads to discussions with the company's remuneration committee as to how we believe the current policy could be improved. By recommending a vote against a company's remuneration policy we are not necessarily suggesting that we lack confidence in the company's executive directors.

We believe that a company's remuneration policy should aim to attract and retain competent executives, reward these executives fairly in a way that is consistent with their performance, and align the incentives for these executives with the best interests of shareholders. This is easy to say, but can be difficult to implement in practice. The perfect remuneration policy probably does not exist. We remain mindful of this when considering our voting recommendations on remuneration policies. We also remain mindful that the value which key executives can add (or subtract) for a company can dwarf their remuneration, and that companies compete to employ competent executives.

The key criteria we consider when evaluating a company's remuneration policy include scale, linkage, median-performance reward and alignment. We may recommend voting in favour of a company's remuneration policy if it is sufficiently close to current best practice, even if it does not conform in every respect with our views on the criteria below.

Scale

The base pay for an executive should not materially exceed the median base pay for comparable roles in comparable companies. The potential performance-based pay for an executive should not materially exceed that offered to executives in comparable roles in comparable companies. Potential performance-based pay should be capped unless the executive is willing to bear unlimited downside risk to match unlimited upside potential. We remain mindful of the risk of executive pay spiralling upwards as listed companies continuously upgrade pay packages to match those of their peers.

Linkage

There should be a clear link between performance-based pay and the actual performance of the executive. The measurement of the executive's performance may include a range of factors, but the most significant should be long-term total shareholder return. The performance metrics should be compared against appropriate benchmarks, so that as far as possible, the executive is rewarded for performance in areas which are under the executive's control. Performance-based pay should, as far as possible, not be affected by exogenous factors outside the executive's control. Exogenous factors should be provided for by, for example, comparing the total shareholder return of the company to that of other comparable companies, which are affected by similar exogenous factors. An executive should not receive performance-based pay purely on the basis of a cyclical upswing in an industry. Similarly, an executive who performs much better than his peers in a struggling industry should be rewarded for his performance.

We recognise that there will probably always be some element of chance in share-based or performance-based remuneration. Companies should attempt to control for this element of chance as far as is reasonably possible in an elegant manner.

Median-performance reward

Median or average performance should earn minimal performance-based pay. Base pay should not be disguised as performance-based pay. It should not be possible for all executives in an industry to be simultaneously receiving performance based pay. If they are all being rewarded for performance above the mean, whose performance was below average?

Alignment

Performance-based pay should be weighted towards long-term (3 - 5 years) performance and rewards. Executives benefiting from share-based performance rewards should be required to build a minimum shareholding in the company over a defined period.

Permission for the issue or repurchase of the company's shares

The value of the shares held by our clients derives from their scarcity. We typically recommend voting against resolutions which grant the company's directors general authority to issue new shares (even if only in limited quantities), because such a general authority diminishes the scarcity value of the shares held by our clients. Even if the resolution is restricted to the issuance of new shares required for employee incentive schemes, we prefer to recommend voting against such resolutions. Unless there are regulatory or tax considerations which complicate matters, we prefer companies to repurchase the shares which are required to fulfil their obligations under employee incentive schemes. This generally makes the cost of such schemes more explicit.

If the directors wish to issue new shares for the purpose of an acquisition or some other form of corporate transaction, we prefer to consider their proposal on its merits and, if we agree, to recommend to our clients voting for a resolution which grants them a specific authority to issue the shares required just prior to the finalisation of the transaction. We believe that this approach reduces the risk of the value of our clients' shares being diluted by an ill-advised issue of new shares by the company's directors.

Provided that our estimate of a company's intrinsic value is accurate, then our clients' portfolios should be invested predominantly in shares which are trading at a discount to their intrinsic value.

By repurchasing its own shares at a discount to their intrinsic value, a company increases the intrinsic value of each remaining share. We believe that this is in our clients' best interests. Thus, we typically recommend supporting a resolution which grants a company a general authority to repurchase its own shares. In unusual circumstances where a share in our clients' portfolios is trading at a premium to our estimate of its intrinsic value, we believe that it is still in our clients' best interest to recommend supporting such a resolution, as the company's buying will increase market demand for the share, and improve the probability of us being able to exit our clients' holding at a premium to its intrinsic value.