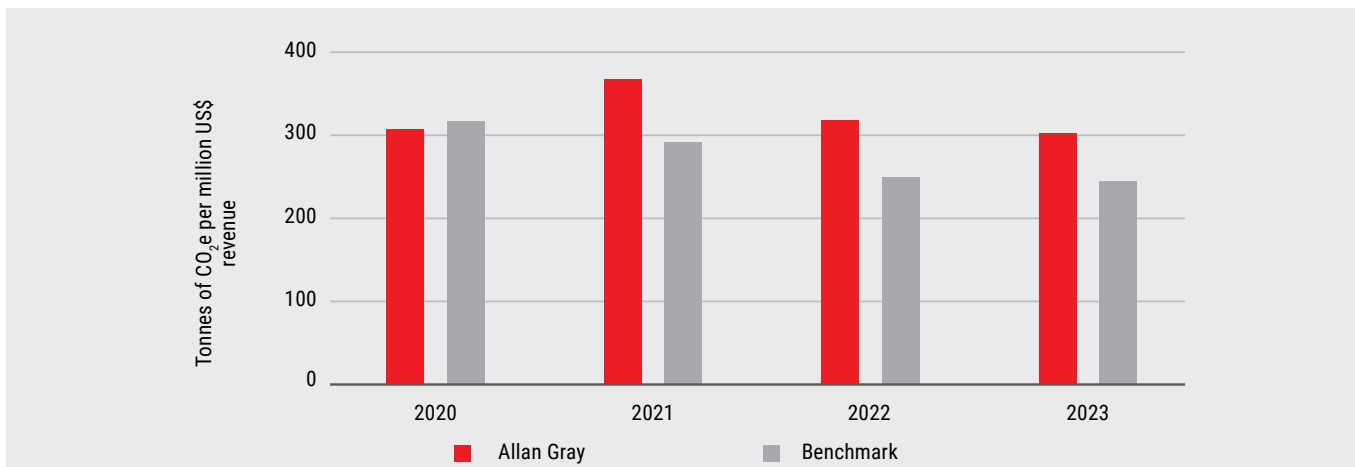


Our [carbon accounting primer](#) explains the main methodologies for the measurement of financed emissions in the asset management industry. We calculate the weighted average carbon intensity (WACI) and economic emissions intensity (EEI) of our clients' combined portfolios based on emissions data sourced from Bloomberg. We also report on the progress towards achieving our emissions-related performance target for 2025, as committed at the end of 2021.

Portfolio carbon footprint

Graph 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.

Graph 1: Weighted average carbon intensity¹

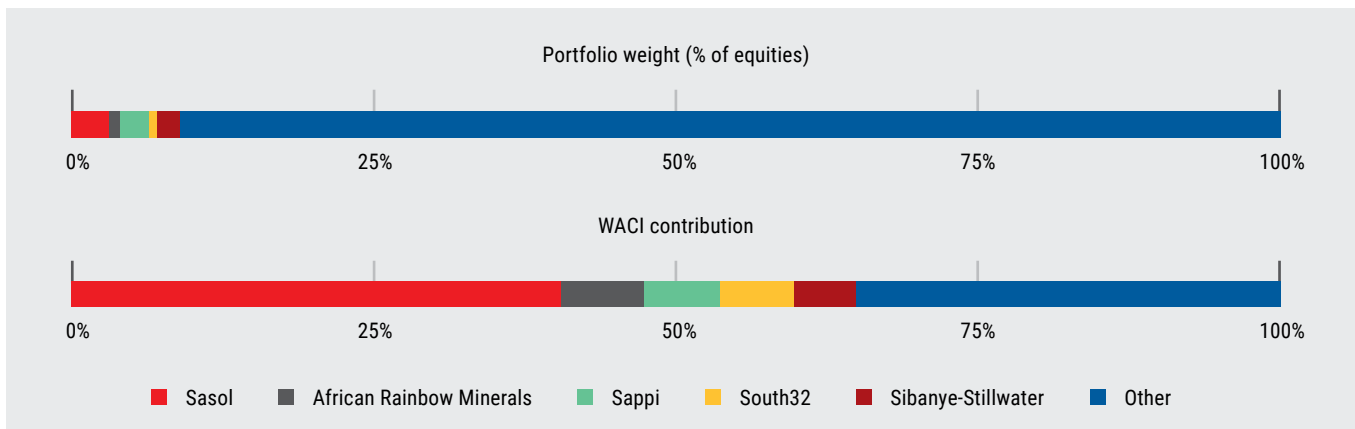


1. Previously reported figures have been updated to reflect restatements and delayed emissions disclosure.

In 2023, the portfolio's carbon intensity declined marginally on 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 if we can encourage critical thinking around emissions 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 using divestment as a method to produce low-carbon portfolios over the short term.

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 **Graph 2**: Sasol, African Rainbow Minerals, Sappi, South32 and Sibanye-Stillwater.

Graph 2: Contributors to portfolio carbon intensity

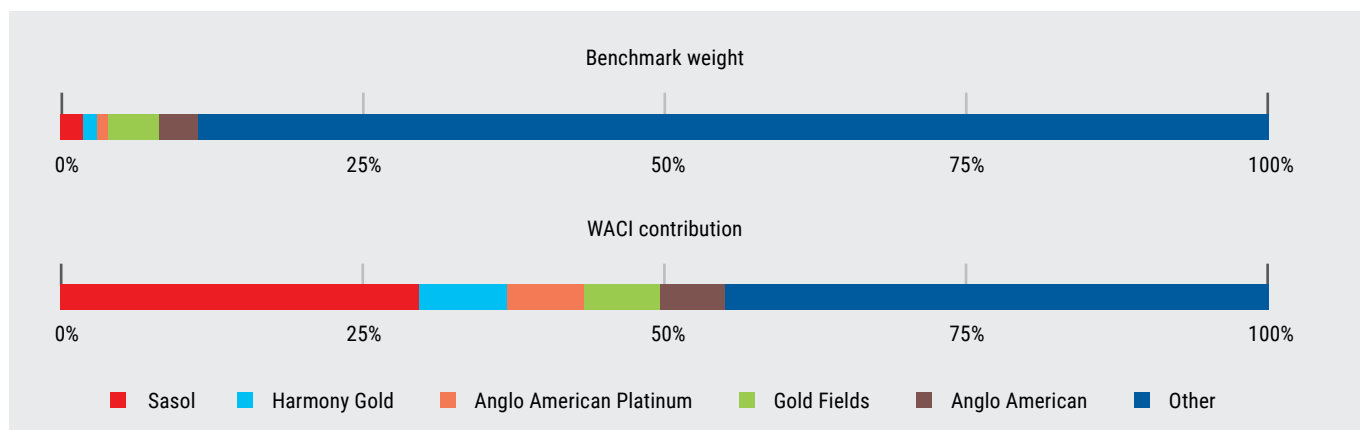


Sasol makes an outsized contribution (40%). As discussed in Annexure 4 of our [2023 Stewardship Report](#), we engage with management on a regular basis to discuss the responsible decarbonisation of the business and monitor progress.

The environmental impact of platinum group metals (PGMs) companies, such as African Rainbow Minerals and Sibanye-Stillwater, is significant but should be weighed against the important role PGMs play in reducing airborne pollutants from internal combustion engines and the fact that PGMs 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 emissions 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.

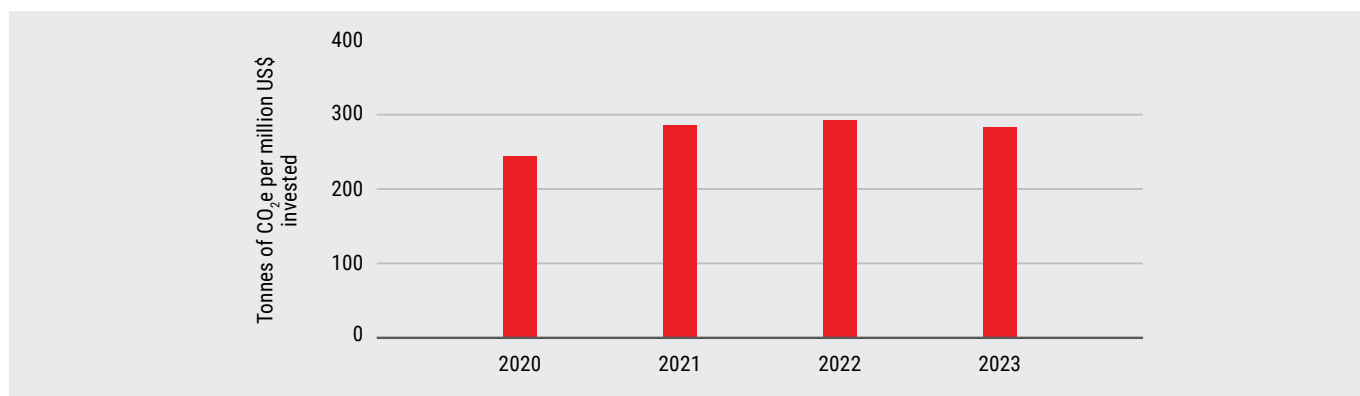
Sasol is the single largest contributor to the benchmark's WACI, as shown in **Graph 3**. High-emitting miners Harmony Gold, Anglo American Platinum, Gold Fields and Anglo American all make disproportionate contributions to the benchmark's carbon intensity in relation to their respective benchmark weights.

Graph 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 **Graph 4**. It has been stable around the level of 300 tonnes of carbon dioxide equivalent (CO₂e) per million US dollars invested 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.

Graph 4: Portfolio economic emissions intensity²



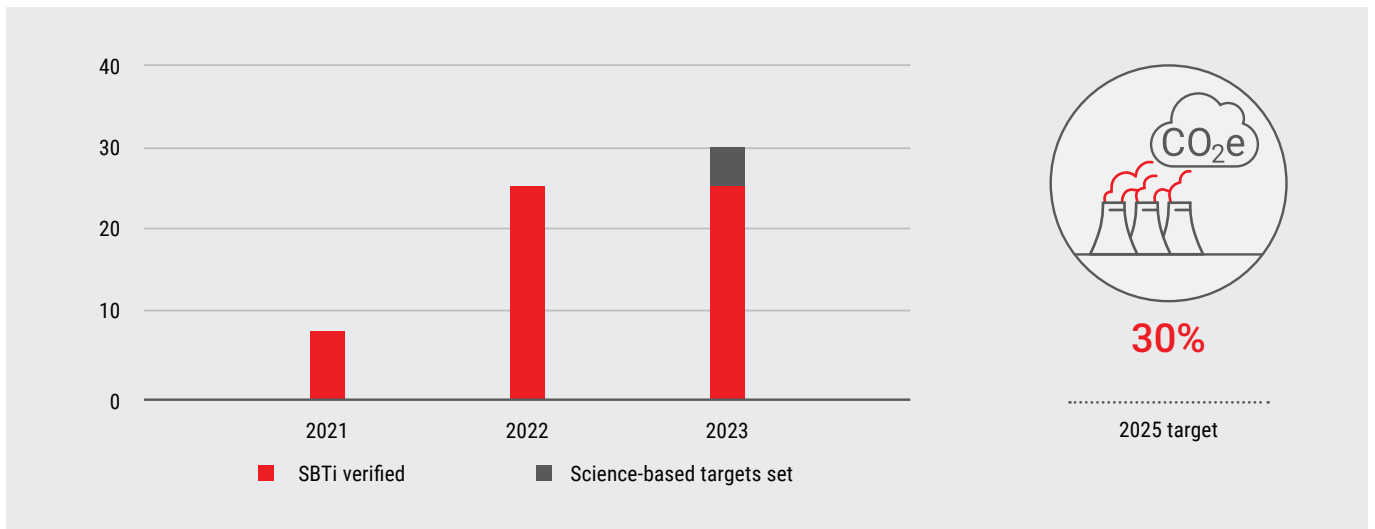
2. Previously reported figures have been updated to reflect restatements and delayed emissions disclosure.

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 emissions reduction targets with the objective that at least 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.

In **Graph 5**, we reflect our progress towards achieving this objective as at the end of 2023, indicating the percentage of the top 40's financed emissions where the investee company had its net-zero commitment verified by the SBTi or publicly claims a science-based approach to target setting. The verification of Mondi, Naspers, Prosus and NEPI Rockcastle's targets in 2023 has contributed but was partially offset by Pick n Pay dropping out of the top 40. As such, we are dealing with a moving target. When including companies that cannot be verified owing to shortcomings of the SBTi's methodologies, the 30% target has been achieved. We do not take credit for this result. While our efforts may have helped, companies monitor global initiatives on climate change themselves and engage with many stakeholders.

Graph 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.

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FTSE/JSE Capped Shareholder Weighted All Share Index

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