ALLAN GRAY STEWARDSHIP AND BUSINESS SUSTAINABILITY REPORTS

CALENDAR YEAR 2019

ENVIRONMENTAL SOCIAL GOVERNANCE

Contents

This is the fifth year that we have published this report, which outlines how we integrate environmental, social and governance (ESG) issues into our investment process using examples and case studies, and summarises our voting recommendations. However, we have been using the same approach since inception of the firm in 1973 as we believe it improves investment returns and assists our clients to act as responsible owners.

ESG issues are increasingly in the spotlight, and we have therefore expanded this report to give investors a better sense of our investment approach and our efforts. We have also included a "Business Sustainability" section, which captures our ongoing efforts to make an impact for our clients, employees and their families and communities, the industry and the country.

We hope you find the additional information insightful. For more information on our approach to responsible investing, please consult the following documents on our website:

- Policy on incorporation of sustainability considerations
- Policy on ownership responsibilities
- How we think about climate change and investing

It's interesting that a quick look at the dictionary definition of "steward" reveals that it is "a person employed to look after the passengers on a ship, aircraft, or train". We take our role very seriously as stewards of your capital, on this, your investment journey, and we thank you for your trust.

If you have any questions or feedback on our approach, please email info@allangray.co.za.

Yours sincerely

Andrew Lapping

Allan Gray Stewardship Report – calendar year 2019

Andrew Lapping, Raine Naude and Vuyo Mroxiso

A. OUR APPROACH TO RESPONSIBLE INVESTING

Investment managers take different approaches to responsible investing. At Allan Gray our approach is to integrate environmental, social and governance factors (see text box below for examples) into our investment decision-making to better manage risk and improve returns. While our reporting on ESG matters has increased over the years, ESG factors have always been embedded in our investment philosophy and process, as we firmly believe that companies that don't operate in a sustainable and responsible manner will struggle to deliver favourable results over the long term.

In addition to ESG integration, we believe that good stewardship of our clients' capital requires truly active ownership. We think critically about how we vote on behalf of our clients at company annual general meetings (AGMs) and engage frequently and meaningfully with company boards and management on identified issues.

Our ESG research and engagement efforts prioritise companies with a material weight in our clients' portfolios, as well as smaller holdings in which our clients collectively own a material percentage of the company, meaning that our engagements and proxy voting have a greater ability to influence change.

We aim to do what is right. This does not mean taking a binary view on whether companies are 'good' or 'bad' and making related portfolio exclusions or inclusions. ESG issues are complex, with trade-offs to consider, and there is rarely one answer that satisfies everyone. In evaluating these nuanced issues, we undertake fact-based, detailed and holistic research. Given our concentrated investment universe, blanket exclusions from client portfolios would further limit the opportunity set and we do not think this is in our clients' best interests. However, where we are invested in companies that have negative environmental or social impacts, we encourage a focus on minimising harm.

Our chief investment officer (CIO) is able to veto investments by other portfolio managers in cases where he determines that the company's business practices are unethical in nature. While we continue to use the multiple portfolio manager system and view it as key to our success, we believe it is necessary to have an additional level of oversight through the CIO's ethical veto. The Allan Gray board holds the CIO to account, including for his use of (or decisions not to use) this veto.

We have been a signatory of the United Nations sponsored Principles for Responsible Investment (PRI) since 2013. For a better sense of the different approaches to responsible investing, please read "How to be a responsible investor", available via the Insights page of our website.

EXAMPLES OF ESG CONSIDERATIONS:

Environmental: greenhouse gas emissions; air pollution; water consumption and pollution; waste management; biodiversity impacts; structural shifts in consumption (such as the world moving towards a more circular economy); sector-specific risks (for example, tailings dams, acid mine drainage and environmental rehabilitation are only of relevance to mining companies).

Social: employee health and safety; transformation; pay inequality; community impact and relations; ethical customer practices (for example, terms of lending and ethical sales practices).

Governance: executive remuneration; board composition, tenure and skills; company ethics; corruption allegations; regulatory compliance; auditor independence.

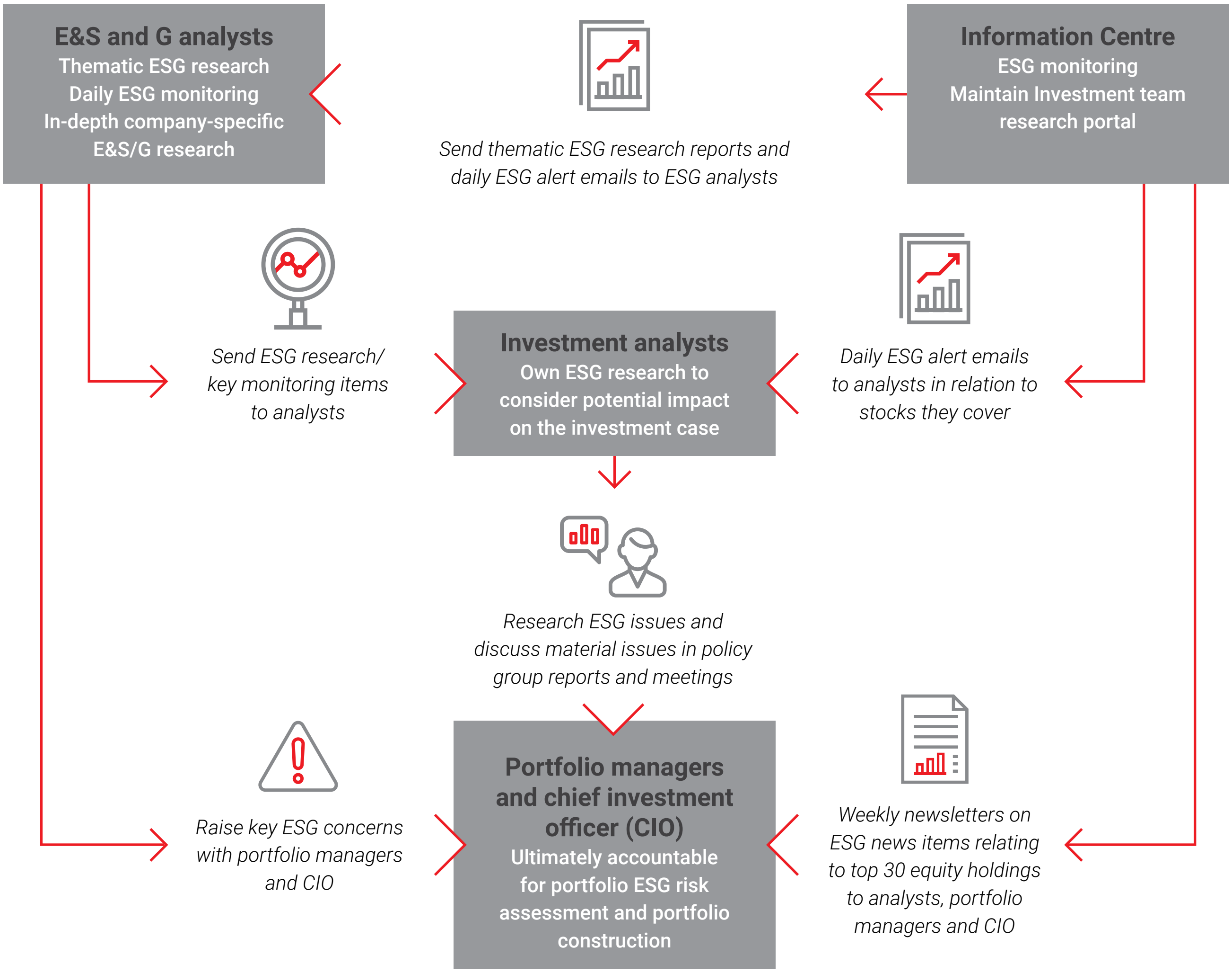
B. ESG PROCESS OVERVIEW

Figure 1 summarises our ESG process. Our ESG research is conducted inhouse. Investment analysts are responsible for researching material ESG issues relating to the companies they cover and highlighting these in their company research reports. It is compulsory to include an explicit "Management, Board and ESG section", but the extent of coverage depends on materiality. Key ESG issues are debated in policy group meetings, at which we discuss and vote on company buy or sell recommendations. ESG risks are further factored into company valuations, either by adjusting earnings or cash flow if the risk is quantifiable, or by valuing the company or division on a lower multiple if the downside risks are significant but uncertain.

We continue monitoring and researching ESG considerations once our clients are invested. In cases where the risks change fundamentally, we will reassess our position in the company. The Investment team includes both a governance analyst and an environmental and social analyst, who perform additional monitoring, in-depth research into identified risk areas and thematic ESG research.

Finally, our Information Centre monitors company-specific ESG news and sends relevant news items to the analysts and portfolio managers.

Figure 1: ESG process overview



C. ESG PROCESS ENHANCEMENTS

We strive to maintain a high standard of ESG integration and disclosure. In 2019 we:

- Performed a global and local benchmarking exercise to evaluate our ESG processes and reporting versus other asset managers and asset owners.
- Produced a climate change positioning statement. This is now available on our website.
- Improved our monitoring and internal communications around ESG issues. Our Information Centre now distributes a weekly ESG newsletter to our portfolio managers, analysts, Institutional Client Services team and chief operating officer, providing summaries of key ESG-related news items that concern our clients' top 30 equity holdings.
- Increased our climate-related risk disclosures (please see pages 7 and 8).
- Increased our knowledge sharing on ESG-related issues and best practices with our offshore partner, Orbis.

D. ACCOUNTABILITY AND OVERSIGHT

Each policy group meeting held by our Investment team has two objectives:

1. Evaluate the company's investment case to form a view on the stock's intrinsic value versus current market price and vote on whether the stock is attractive or not.
2. Factor in all risks, including ESG risks, to vote on the stock's risk rating. The policy group's overall risk rating in turn limits the stock's maximum position size in our clients' portfolios.

While all Investment team members vote on the company's buy/sell strength and risk rating, votes are weighted according to seniority. Portfolio managers are ultimately accountable for the ESG risks in their slice of our clients' investment portfolios.

The Investment team prepares biannual ESG reports for the Allan Gray board of directors' Social and Ethics Committee, and this Stewardship Report is prepared for clients. These reports include disclosure of key ESG engagements during the period, an update of our client portfolios' most material ESG risks and disclosure of whether our CIO used his ethical veto during the period.

E. ENGAGEMENTS

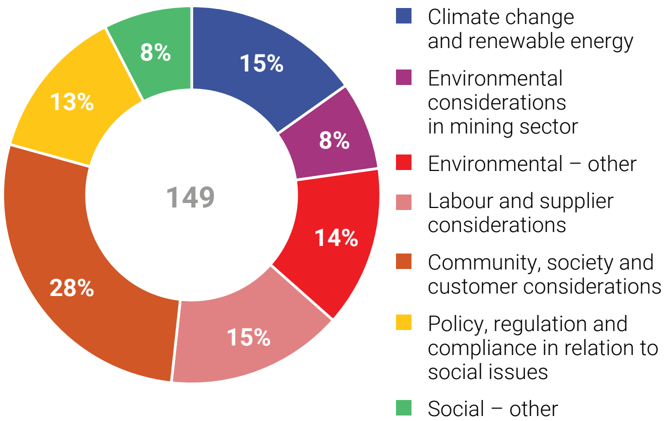
Our ESG engagements take on many forms. These include: high-level information sharing by investee companies; our analysts requesting deeper insight into ESG issues; third-party meetings to obtain independent views on companies' performance; and strategic engagements with company boards or management teams to attempt to influence change when deemed necessary.

Table 1: ESG engagements

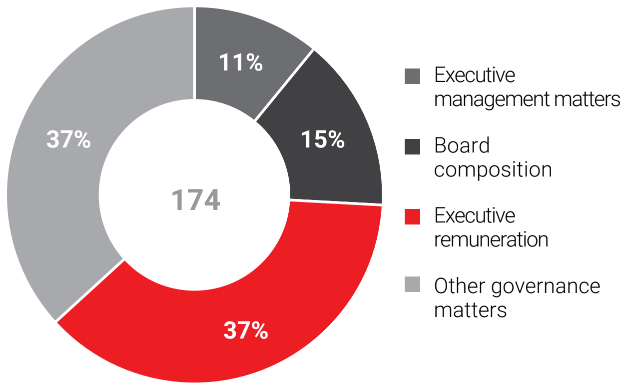
Type of engagement	Total number of engagements	Occasions when ESG issues were discussed		
		Environmental	Social	Governance
Meeting	336	34	73	125
Written correspondence	21	1	1	13
Site visit	26	8	5	2
Other forms of engagement	159	11	16	34
Total	**542**	**54**	**95**	**174**

Since 2015 we have reported on our number of annual E, S and G engagements. This year, we provide further detail into the themes within the E&S and G categories, respectively (see **Graphs 1** and **2** on page 5), to show the breadth of ESG considerations.

Graph 1: Environmental & Social engagements



Graph 2: Governance engagements



Note: There may be slight discrepancies in the totals due to rounding. Source: Allan Gray

Our 2019 strategic engagement themes were executive remuneration, board composition and climate change. We discuss the motivation for each later in this report. Below are case studies demonstrating how we researched and engaged on executive remuneration and climate change.

GOVERNANCE RESEARCH AND ENGAGEMENT CASE STUDIES

The past decade has been marred by a string of corporate governance failures. These have taught us some painful but valuable lessons. They highlight the importance of ethical boards and management teams, the impact of the "tone at the top" on company culture, and the need for incentive schemes that encourage the right kind of behaviour.

In this year's Stewardship Report, we focus on executive remuneration – an area that has been at the centre of many of our engagements with boards and management teams. Our increased focus on executive pay is in keeping with local and international developments in corporate governance standards, and is also in response to the increased number of corporate governance failures and the global call to reduce inequality, which is said to be exacerbated by excessive executive pay.

Our approach to executive remuneration is more principles-based than rules-based: We advocate for executive remuneration schemes that are closely aligned with shareholder interests, clearly linked to the strategic objectives and long-term performance of a company and in line with best practice standards.

a) Old Mutual

We have been recommending that our clients vote against Old Mutual's remuneration implementation report since the 2017 AGM.

In 2019, we took the drastic but necessary step of recommending that our clients vote against:

- The remuneration policy
- The remuneration implementation report
- The adoption of the annual financial statements
- The re-election of the chief executive officer (CEO), Peter Moyo
- The re-election of the chief financial officer (CFO), Casper Troskie

In our opinion, Old Mutual failed to adequately adjust for hyperinflation distortions caused by Zimbabwe in the Group's adjusted headline earnings (AHE), results from operations (RFO) and return on net asset value (RoNAV). As a result, these measures were not a fair reflection of the performance of the business and may have misled some shareholders. To the extent that short-term incentives were boosted by RFO and RoNAV measures that did not reflect the underlying economic performance of the business, we hold the view that it was wrong for these incentives to have been paid.

As communicated to the board and management, we think that executives should only receive large bonuses if such pay is based on legitimate business performance and genuine earnings. In this instance, that was not the case. Consequently, we recommended that our clients vote against the above-mentioned resolutions at the 2019 AGM. We also considered voting against the chairperson of the audit committee and remuneration committee (Remco), and against the auditors (KPMG). We met with all these parties and think they all share in the responsibility for the poor remuneration outcome in 2019. We decided that in this case, executive management (the CEO and CFO) were ultimately responsible for presenting the correct numbers to the board and shareholders, and therefore decided to vote against the executive directors only.

b) Woolworths

Ian Moir, Woolworths' former group CEO, made headlines for earning over R190 million during a five-year period where the company saw a 38% drop in its share price. Our clients have been sizeable shareholders of Woolworths since December 2016 and from the onset we questioned the rationale behind his excessive total guaranteed pay. We first raised the issue with the board after the release of the 2017 integrated report, where his total guaranteed pay sat at R18.8 million. On numerous occasions we pointed out that we would prefer a remuneration mix that is geared towards the long term, where the total guaranteed pay is reduced and long-term incentives – which should only vest based on the achievement of stretching performance conditions – are increased. In a recent meeting held with the board chairperson, the lead independent director and the company secretary, we reiterated the need to restructure the Group CEO's remuneration, stating that the appointment of a new Group CEO affords the board with a good opportunity to reset total guaranteed pay and the overall remuneration mix.

At the 2017, 2018 and 2019 AGMs, we recommended our clients vote in favour of both the remuneration policy and the implementation report. Was this the right move given Ian Moir's high total guaranteed pay? We believe so. Quantum, though important, is not our only guiding factor when it comes to executive remuneration. We consider several factors, including how well-aligned the remuneration scheme is with shareholder interests, how strong the pay-performance correlation is, how transparent the remuneration policy and implementation report are and whether executives have skin in the game. Our assessment is that, while not perfect, Woolworths' executive remuneration policies and practices are mostly in line with what we consider to be best practice. We are hopeful that our recommendations have been considered in structuring the new CEO's remuneration package.

c) Naspers (N shares)

Often considered the greatest success story on the JSE, Naspers has grown its share price by more than 630% over the last decade. Our clients have been material shareholders of Naspers since 2013. While the company has exceeded our expectations in generating returns, executive remuneration matters have not been as good.

From 2015 to 2017, we recommended our clients vote against Naspers' remuneration policy and implementation report. This was for a number of reasons, including a lack of disclosure, which meant we were unable to adequately assess whether executive remuneration was properly aligned with shareholder interests. We communicated our concerns to the Remco and relayed what we considered to be necessary improvements. Finally, in the 2018 financial year, disclosure improved, and the Remco implemented clawback provisions and a formal shareholding requirement for the CEO. In recognition of these improvements, we recommended our clients vote in favour of both the policy and the report in 2018.

In 2019, we recommended our clients vote in favour of the remuneration policy but against the implementation report. We were happy to see the introduction of performance conditions to a portion of the long-term incentives – something we have been asking Naspers to do for a number of years. However, because the related performance targets were not disclosed, and it seemed as though the quantum of long-term incentives granted had increased by 30% as a result of these new performance-based incentives, we recommended our clients vote against the implementation report.

Naspers has subsequently disclosed the performance targets on its website. We met with their chief people officer (CPO) and Group investor relations officer (IRO) in January 2020 to, among other things, discuss the performance targets attached to the new long-term incentives awarded. We highlighted that, in our opinion, their performance targets are not sufficiently stretching and thus not aligned with shareholder interests. The current targets see executives receive 100% vesting for attaining a total shareholder return equal to the median of their peer group. This effectively rewards average performance and is not in line with what we view as best practice. JSE best practice is for 0% vesting to occur for performance below the median of the peer group, threshold vesting for total shareholder return equal to the median of peers and 100% vesting only for performance that is equal to or greater than upper quartile performance of peers. The CPO and IRO have assured us that they would relay our comments to the Remco. We are hopeful that our suggestions will be taken into consideration and implemented in the 2020 financial year.

d) Sasol

Massive cost overruns and delays of the Lake Charles Chemicals Project (LCCP) were largely to blame for the drop in the Sasol share price and knock in investor confidence in 2019. These cost overruns led to excessive debt and the company finding itself in a distressed financial position. We view the recent change in executive management as a positive development and the new leadership are working to salvage shareholder value.

In 2018, we suggested our clients vote against both the remuneration policy and the implementation report. We had supported the policy and report in the past because we believed it was moving in the right direction. The trajectory reversed in 2018 – executives received high levels of vesting while total shareholder return versus peers had been poor and return on invested capital had deteriorated.

As a result of slight improvements to the remuneration policy in 2019, we recommended our clients vote in favour of Sasol's remuneration policy. However, as we are still of the view that elements of the remuneration report remain subpar – including soft performance targets, inappropriate vesting scales and a lack of transparency – we recommended our clients vote against the implementation report.

We continue to engage with both management and the board, and we are hopeful that things will improve from both a performance and governance point of view.

CLIMATE CHANGE RISK ASSESSMENT AND ENGAGEMENT CASE STUDIES

Climate change is a key research and engagement area due to its implications for all sectors, as the world transitions to cleaner energy sources (transitional risks) and as we are likely to experience rising temperatures and other climatic impacts (physical risks).

Our recently published climate change position statement offers our view on and commitments to addressing climate change. In terms of making a difference, we believe in active engagement with large emitters and fossil fuel consumers, as opposed to divestment.

Assessing climate change-related risk in our clients' portfolios

The Allan Gray Balanced Fund (AGBF) is our largest unit trust and therefore most representative of our average client's holdings and related climate risk exposures. Key AGBF exposures to fossil fuels are quantified in **Table 2**.

Table 2: Allan Gray Balanced Fund fossil fuel exposures as at 31 December 2019

Holding	AGBF weighted exposure to fossil fuels (%)[1]
Equity	
Sasol	3.2%
Glencore	1.9%
BHP Group	0.2%
Fixed income	
Eskom	0.6%

[1]Calculated as: percentage of revenue from fossil fuels (thermal coal, metallurgical coal, oil, petrochemical products) multiplied by position size in AGBF.
Source: Allan Gray

It is also worth noting that South African government bonds account for 3.2% of AGBF's total value, which can be viewed as an indirect exposure to Eskom.

In **Table 3** on page 8 we have calculated the weighted average carbon intensity (WACI) of the top 30 equity holdings in AGBF. The top 30 equity holdings accounted for 89% of AGBF's local equity market value and 44% of the Fund overall as at 31 December 2019. WACI is a metric recommended by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) – a fast-growing global initiative that aims to make climate-related risk disclosures more consistent and comparable within and across sectors.

The WACI per shareholding is calculated using the following formula:

Weighted average carbon intensity (WACI) = (issuer's scope 1 + 2 greenhouse gas emissions/issuer's revenue (ZARm)) * (current value of investment/current portfolio value)

Scope 1 emissions: direct emissions from owned or controlled sources e.g. fuel combustion on site, such as coal/gas boilers.
Scope 2 emissions: indirect emissions from electricity purchased by the company.

Table 3: Weighted average carbon intensity of Allan Gray Balanced Fund top 30 local equity holdings as at 31 December 2019

(Listed in order of their size in the portfolio. Pink is the most carbon intensive, followed by orange, then yellow, then grey at least intensive.)

AGBF top 30 equities	Scope 1 + 2 emissions (tonnes)	Revenue (same year as emissions) (R'm)	Financial year end data	% of AGBF equity	Carbon intensity -Emissions (tonnes)/Revenue (R'm)	WACI using total equities only
Naspers – N[1]	149 029	45 278	Mar '19	12.7%	3.3	0.4
British American Tobacco	841 000	432 007	Dec '18	12.0%	1.9	0.2
Glencore[2]	30 298 000	660 000	Dec '18	6.6%	45.9	3.0
Sasol	66 558 000	203 576	Jun '19	6.5%	326.9	21.4
Remgro	1 157 363	56 968	Jun '19	5.7%	20.3	1.2
Standard Bank	212 801	105 331	Dec '18	5.0%	2.0	0.1
Old Mutual	491 278	109 877	Dec '18	4.2%	4.5	0.2
Investec (Plc & Limited)	31 499	47 523	Mar '19	4.3%	0.7	0.0
Woolworths	511 377	73 102	Jun '19	3.1%	7.0	0.2
Life Healthcare	158 649	25 672	Sep '19	3.0%	6.2	0.2
Reinet Investments	No data	Not applicable	Mar '19	2.2%	Not applicable	Not applicable
Nedbank	144 299	54 795	Dec '18	2.2%	2.6	0.1
Impala Platinum	3 829 000	48 629	Jun '19	1.8%	78.7	1.4
Zambezi Platinum (Northam look-through)	1 005 589	10 650	Jun '19	1.7%	94.4	1.6
Sappi	6 004 217	82 433	Sep '19	1.6%	72.8	1.2
BHP Group	14 700 000	628 534	Jun '19	1.5%	23.4	0.3
MultiChoice Group	246 897	50 100	Mar '19	1.4%	4.9	0.1
Netcare	245 218	21 589	Sep '19	1.4%	11.4	0.2
Rand Merchant Investment Holdings	3 313	16 002	Jun '19	1.4%	0.2	0.0
KAP Industrial	1 016 085	25 602	Jun '19	1.3%	39.7	0.5
Prosus N.V	No data	Not applicable	Mar '19	1.2%	Not applicable	Not applicable
Momentum Metropolitan	48 502	68 643	Jun '19	1.1%	0.7	0.0
Aspen Pharmacare	186 994	38 872	Jun '19	1.1%	4.8	0.1
Tiger Brands	522 454	29 233	Sep '18	1.0%	17.9	0.2
Super Group	390 134	37 862	Jun '19	1.1%	10.3	0.1
Royal Bafokeng Platinum	341 746	3 627	Dec '18	1.0%	94.2	0.9
Fortress REIT – A	18 736	3 628	Jun '19	0.8%	5.2	0.0
RDI REIT	7 695	1 706	Aug '19	0.7%	4.5	0.0
Quilter	33 094	21 024	Dec '18	0.7%	1.6	0.0
AECI	562 450	23 314	Dec '18	0.7%	24.1	0.2
Total top 30	129 566 390	2 880 299		88.8%	45.0	40.0
Total equity (grossed up)	145 834 338	3 241 940			45.0	45.0

Notes:
1. Latest emissions figure reported was for year ended 31 March 2019, which included MultiChoice (59% of total emissions). MultiChoice was unbundled in March 2019, and has therefore been excluded to provide a more representative ongoing emissions figure. Excludes equity accounted income as these do not appear to be in the scope of emissions reporting.
2. Use industrial division revenue only (US$44bn pre-intergroup eliminations) as it is responsible for the bulk of emissions. Glencore group revenue is substantial at R2.9 trillion, due to the marketing division.

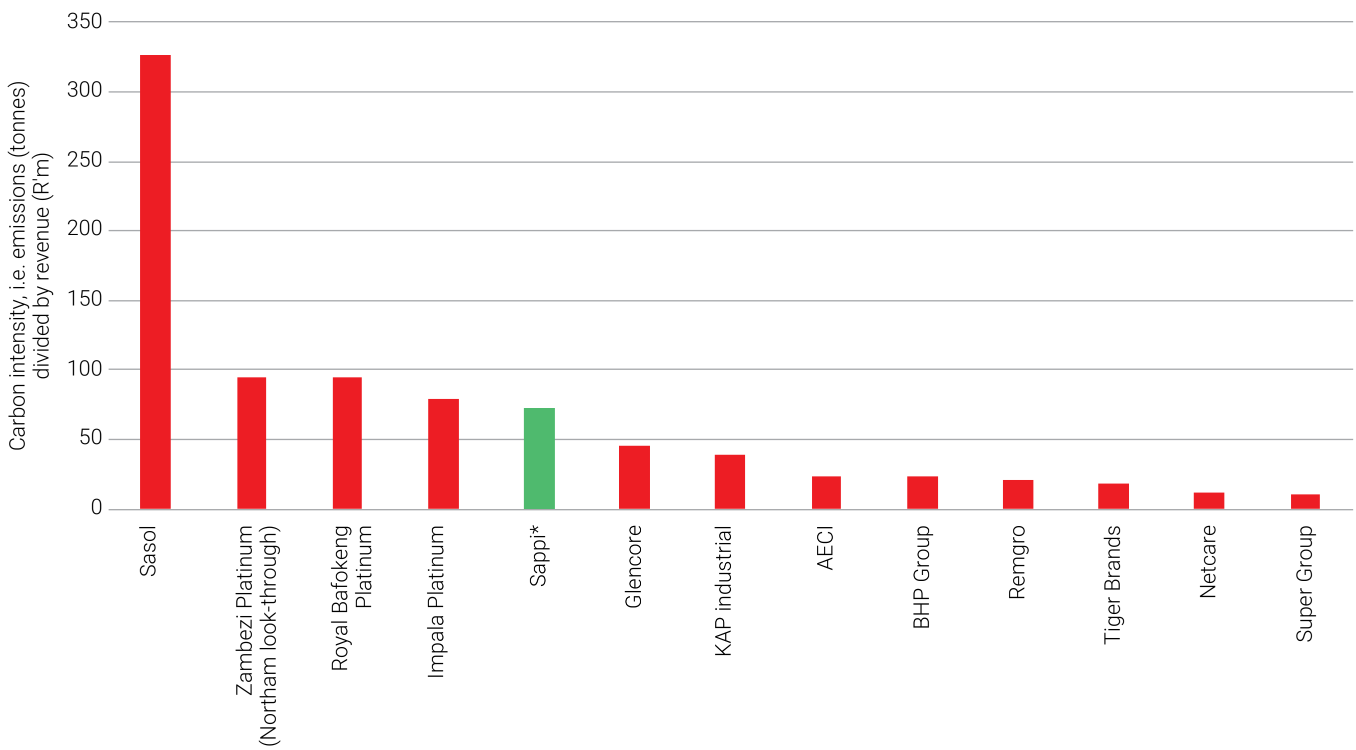
Sources: Allan Gray research, company annual reports, company websites, CDP platform, client data.

Importantly, and as noted in the TCFD recommendations, WACI has some weaknesses and is not a direct proxy for ranking company exposure to climate risk. There are two flaws of using revenue in the metric's denominator: Firstly, it is subject to cyclicality. A mining company will seem less carbon intensive when commodity prices and revenue are high, yet its climate-related risks have not structurally changed. Secondly, the metric may understate the carbon risk of a high revenue, lower margin business. For example, if we were to include the substantial revenue of Glencore's marketing division in its group revenue in **Table 3**, Glencore's WACI would decrease to 10x versus its current WACI of 46x when using the industrial segment's revenue only. We believe it is more representative to use industrial revenue only, as this accounts for the bulk of scope 1 and 2 emissions.

Despite its shortcomings, WACI provides a simple basis of comparison that, in combination with other metrics, can be used as a starting point for further engagement. In our case, based on these insights:

- Our E&S analyst will prioritise climate-related engagements with the platinum miners in our portfolio during 2020.
- We will conduct a deeper evaluation of Sappi's climate change strategy. While Sappi's substantial absolute emissions highlight the energy-intensive nature of its manufacturing processes, it is important to note that they have not been 'offset' with the carbon sequestration provided by its plantations and forests from which wood fibre is sourced.
- We will examine energy efficiency initiatives per sector more thoroughly. Purchased electricity is often a substantial percentage of a company's total attributable emissions. Well-designed efficiency projects lead to both emission and operating cost reductions, which is a win-win for shareholders.

Graph 3: Carbon "hot spots" in our clients' top equity holdings as at 31 December 2019



*Sappi is highlighted in green as its reported emissions do not take its plantations into account, which act as a carbon sink.
Sources: Allan Gray research, company annual reports, company websites, CDP platform, client data.

While Glencore is not one of the most carbon intensive companies in our clients' portfolios in terms of emissions divided by revenue, its absolute size in our clients' portfolios means that it has the second highest **weighted average** carbon intensity after Sasol (**Table 3**). Below is an update on each:

a) Sasol: Ongoing environmental engagements

Sasol is an integrated chemicals and energy producer. While its operations are global, 85% of the group's emissions are attributable to its Secunda plant in Mpumalanga, which gasifies coal to produce chemicals and liquid fuels.

Graph 3 on page 9 highlights Sasol's emissions intensity – an outlier in our clients' portfolios. We have engaged extensively with Sasol on its environmental impacts and disclosures over the past two years (please see [2018 Stewardship Report]) and were pleased to see that a number of our recommendations on Sasol's disclosures and commitments were met in its Climate Change Report, published in November 2019.

Noteworthy progress in Sasol's recent Climate Change Report:

- Committed to a 10% reduction in absolute greenhouse gas (GHG) emissions from South African operations by 2030. Sasol did not previously have an absolute GHG emission reduction target, so we had recommended a long-term stretch target in a letter to the ex-joint CEOs in 2018. Management have noted their ambition to exceed this 10% reduction.
- Piloting 10MW of renewable energy at Secunda and Sasolburg, respectively, with the ambition to increase this to a substantial 600MW in time. Renewable energy could abate some of Sasol's scope 2 (purchased electricity) and scope 1 (in relation to fuel combustion for own electricity generation) emissions. Our government recently announced that it would be removing the 10MW limit for self-generation projects, which makes this option more promising than in the past.
- Committed to releasing a detailed roadmap of their emissions reduction strategy over the short, medium and long term by November 2020.
- Committed to including a climate change target in the executive incentive structure from 2021.
- Increased their ESG-dedicated communication and meetings with investors.
- Implemented a number of disclosure recommendations we had made. These included disclosing GHG emissions and intensity per region/facility for more meaningful shareholder analysis; providing more meaningful insight into how past projects undertaken have contributed to emissions reduction versus production changes; insight into Lake Charles' GHG intensity and emissions and giving more tangible details on options under consideration to reduce GHG emissions, such as renewables, gas and green hydrogen in the long term.

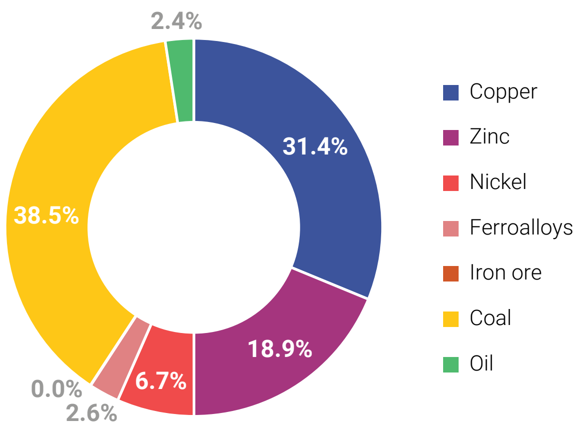
We will continue to monitor Sasol's performance.

b) Glencore: Weighing up climate risk and opportunity

Glencore presents higher ESG risks than peers, most notably the ongoing investigations by the US Department of Justice and UK Serious Fraud Office into alleged historical corruption. We wrote about how we considered this and the detailed research we undertook to factor it into our valuation in our [2018 Stewardship Report]. However, Glencore's climate-related risk is also an important consideration, given its exposure to coal and oil in both the industrial and marketing segments. We research fossil fuel risks extensively and discuss the issues with management regarding their outlook. From an operational perspective, management have increased their climate commitments over the past two years and are announcing new scope 1 and 2 emissions reduction targets in 2020.

On the other hand, Glencore's commodity basket includes significant exposure to base metals – copper, zinc and nickel (see **Graph 4**). These are important raw materials as the world transitions to clean energy technologies and the electrification of the transport sector continues. For example, an average wind turbine needs 4 000 kilograms of copper, while an electric vehicle uses four times as much copper as a traditional car.

Graph 4: Glencore's industrial segment earnings by commodity



Notes:
1. Aluminium excluded as it detracted 0.4% from adjusted operational earnings in 2019.
2. There may be slight discrepancies in the totals due to rounding.

Source: Glencore Annual Report 2019

F. PROXY VOTING

We provide voting recommendations for general meetings of companies in our clients' portfolios. We publish our voting recommendations, together with the outcome of the shareholders' vote on each relevant resolution, quarterly on our website. Over the 12 months to 31 December 2019, we made voting recommendations on 2 398 resolutions tabled at shareholder meetings, as shown in Table 4.

The JSE Listings Requirements make it mandatory for companies with a primarily listing on the JSE to table separate non-binding advisory votes on the remuneration policy and the implementation report at AGMs. These are important resolutions as they provide shareholders with a direct say on executive remuneration and help align executives' incentives with the best interests of shareholders. Table 5 sets out our voting recommendations on these resolutions over the past year. Where we recommended a vote for, against or an abstention on either of the two resolutions, the company is shown in the respective column.

Table 4: Proxy voting record

Quarter	Number of meetings	Resolutions 'for'	Resolutions 'against'	Resolutions 'abstained'	Total resolutions
Q4 2019	57	693	59	30	782
Q3 2019	37	452	41	6	499
Q2 2019	56	672	50	34	756
Q1 2019	31	333	22	6	361
Total	181	2 150	172	76	2 398

Table 5: Voting recommendations related to executive remuneration

Quarter	For	Against	Abstained
Q4 2019	Aspen Attacq Aveng BHP Group Blue Label Telecoms Cashbuild Comair Impala Platinum Momentum Metropolitan OneLogix Group Putprop RMI Remgro RMB Spur Corporation Super Group Tower Property Fund Unicorn Capital Partners Wilson Bayly Holmes-Ovcon Woolworths	Assore Caxton CTP Publishers & Printers FirstRand Fortress REIT - A Growthpoint Properties Imperial Logistics KAP Industrial Murray & Roberts Pan African Resources Sasol Tsogo Sun Gaming Tsogo Sun Hotels	Capricorn Investment Group Emira Property Fund FirstRand Namibia Namibia Breweries
Q3 2019	Alexander Forbes East African Breweries Investec Long4Life Novus Omnia Peregrine Sephaku Stefanutti Stocks Vukile Property Zarclear	Hosken Consolidated MultiChoice Naspers Pick n Pay Zeder	Adcorp
Q2 2019	AECI British American Tobacco Calgro M3 Capital & Regional Capitec Glencore Gold Fields Merafe Resources Mondi Mpact Nedbank Randgold & Exploration Company SA Corporate Sanlam SEPLAT Standard Bank Sun International	Liberty Old Mutual	Bell Equipment Quilter Royal Bafokeng Platinum
Q1 2019	African Phoenix Investments Coronation Group Five Namibia Asset Management Nampak Netcare Octodec Investments Quantum Foods RDI REIT Reunert Sappi Tiger Brands Transaction Capital	Hudaco Industries	Life Heathcare Pepkor

Business Sustainability Report – calendar year 2019

Rob Formby

MAKING A MEANINGFUL IMPACT

Our *Business Sustainability Report* reflects our ongoing efforts to make a meaningful impact for our clients, employees and their families and communities, the industry and the country.

OUR CLIENTS

Our core focus as a business is to deliver long-term returns for our clients. Since 1973 we have adhered to the same set of values. These have provided us with a consistent framework to help us to make the best decisions for our investors in a changing environment and over time.

We always put our clients' interests first and avoid (not manage) conflicts of interest. We try to build our clients' trust and confidence in us through offering excellent client service. We design our products and fees so that they tie our success to that of our clients.

Our performance-based fees make our income more sensitive to long-term investment performance than the size of assets under management. Our senior executives are shareholders in the business, aligning their long-term interests with our clients.

OUR OWNERS

We are a privately owned company, with a controlling interest held into perpetuity by the Allan & Gill Gray Foundation. Other shareholders include past and present employees and our impact partner E Squared (see page 14).

The Allan & Gill Gray Foundation has no owners in the traditional sense and is instead designed to exist in perpetuity and to serve two equally important purposes: (1) to promote the commercial success, continuity and independence of the Allan Gray and Orbis groups, and (2) to ensure that the distributable profits the Allan & Gill Gray Foundation receives from these firms are ultimately devoted exclusively to philanthropy. The Allan & Gill Gray Foundation's philanthropy is practiced by Allan & Gill Gray Philanthropies, which pursue projects aimed at promoting public benefit or social improvement.

Importantly, the Allan & Gill Gray Foundation does not directly manage Allan Gray, but rather vests control of the firm to Orbis Allan Gray Limited, a holding company whose board consists of a majority of present executives of the underlying asset management companies. With perpetual ownership in strong hands, the management of Allan Gray can focus entirely on adding value for clients for generations to come, and the investment professionals can continue to focus on achieving long-term results.

Being privately owned means we can put investment considerations and client interests before business considerations, i.e. we can always do what is right for clients without pressure from shareholders to consider business needs first.

OUR PEOPLE

Transformation

We value, seek and foster diversity, and transformation is a business and ethical priority.

The chief operating officer carries overall responsibility for implementing the transformation mandate with the ultimate goal of achieving a better transformed organisation. This includes enabling an inclusive culture and environment; promoting and hiring based both on merit and potential; and fostering accountability and enabling empowerment. There is an explicit focus on measuring and managing progress; diversity in recruitment, promotions, succession planning and employee development; and ensuring awareness and transparency.

Allan Gray is a Level 3 B-BBEE contributor and remains committed to continuously improving its status.

Initiatives for employees

The Allan Gray Staff Scheme was established in 2005 to facilitate empowerment within the organisation, to increase black ownership, and to incentivise all employees to contribute to and share in the growth and profitability of the business. A 14% equity stake was reserved for current and future employees, of which 70% is earmarked for black employees.

Additionally, Allan Gray has committed to paying the school fees for children of all employees who earn below a certain threshold.

OUR COMMUNITY

With a deep concern for poverty and unemployment in South Africa, we are focused on making a positive contribution to our broader community by focusing on education, entrepreneurship and employment. We support specific initiatives aimed at social improvement.

Allan Gray Orbis Foundation

The Allan Gray Orbis Foundation was established in 2005 as part of Mr Gray's vision of making a sustainable, long-term contribution to Southern Africa by nurturing the emerging entrepreneurial potential from the region. His own entrepreneurial journey fostered his view that entrepreneurs can make a wide-reaching and significant economic and social impact. The Allan Gray Orbis Foundation now runs in South Africa, Namibia, Botswana and Eswatini. The Allan Gray Orbis Foundation is funded by a donation of 5% of the pre-tax profits from Allan Gray.

The Allan Gray Orbis Foundation provides successful candidates full scholarships, including tuition and residence fees, to attend university to pursue a degree in business or any other relevant field. There is a focus on developing entrepreneurial skills and once graduated, the Allan Gray Fellows are encouraged to become entrepreneurs. In addition, some are also afforded the opportunity to pursue a postgraduate degree at a local university or top-rated international institution, frequently after acquiring relevant working experience. Learners identified at an earlier age (Scholars) are also funded to increase the pool of students eligible to become Fellows.

Allan Gray Orbis Foundation Endowment

The Allan Gray Orbis Foundation Endowment came about as a result of a donation from Mr Gray. The Endowment's original purpose was to provide financial support to the Allan Gray Orbis Foundation if required. However, as the Foundation's financial position became more secure, it evolved its reach into three key areas of education, entrepreneurship and employment.

Some of the key programmes within these focus areas are:

Education

- Jakes Gerwel Fellowship: An independent and aspirational initiative committed to creating a pipeline of future, high-impact teachers
- Funda Wande: A world-class multimedia course to train Foundation Phase (Gr R-3) teachers on how to teach reading

Employment

- 10KJ: A partnership with 10 public benefit organisations that provide support for work seekers with the intention of creating 10 000 jobs

E Squared

E Squared (together with the Allan Gray Orbis Foundation and Allan Gray Orbis Foundation Endowment) aims to foster "entrepreneurship for the common good", with a focus on creating successful entrepreneurs who in turn create employment opportunities.

E Squared was established in 2007, when it purchased shares in Allan Gray from the Gray family through a loan guaranteed by the Allan Gray business. E Squared is a 17.8% owner of Allan Gray.

The long-term objective of E Squared is to extend subsidised financing to predominantly black entrepreneurs. These entrepreneurs are either graduates of the Allan Gray Fellowship Programme or social entrepreneurs who are sought out by E Squared for their leadership and creative initiative.

Allan Gray Orbis Foundation

Countries in operation

1. Botswana
2. Namibia
3. South Africa
4. Eswatini

386
Allan Gray Scholars

39
Placement schools

42 000+
Scholarship applications

1 129/432
Candidate Fellows/ Graduated Fellows

10
Placement universities

36 000+
Fellowship applications

132+
Fellow businesses

R2 billion+
Value of Fellow businesses

800+
Jobs created by Fellow businesses

15 years in operation

2005 2008 2011 2014 2017 2020

GOVERNMENT, REGULATOR, INDUSTRY

We are committed to the growth and development of the financial services industry in South Africa. We are actively involved with the Association for Savings and Investment South Africa (ASISA) and engage with the government and the regulator through ASISA. We have representation on ASISA's board, we are involved in various board committees and support their growth and development programmes.

We have contributed to ASISA Enterprise Supplier and Development Proprietary Limited's IFA Programme since its inception in 2016. This programme aims to provide business development support to select independent financial advisers (IFAs) and equip them with practical management toolkits, skills and knowledge to grow their businesses, and therefore bolster the industry's distribution capability. Furthermore, the programme provides high potential, early career individuals with the opportunity to participate in an internship with a selected top performing IFA in a structured programme.

We are committed to improving financial security in the country and have a team dedicated to promoting access to financial services and investment education. Their efforts include informal presentations and information sessions for small groups of young professionals and other interested parties, doing investment education at schools and universities and supporting ASISA.

OUR ENVIRONMENTAL FOOTPRINT

As a business we are committed to doing what we can to reduce our own impact on the environment.

Our building

The Allan Gray building in Cape Town was designed to be as environmentally friendly as possible. The building achieved the first six-star green rating in South Africa by, amongst other features, recycling grey water and using the sea to cool the interior. The building maximises natural light and has an intelligent lighting system to ensure lights are only on when they need to be.

Our operations

Over the past few years, we have taken steps to identify areas of our operations where we can reduce our consumption and incorporate alternatives. In 2017, we stopped using disposable coffee cups in our canteen. In 2019, we removed bins from desks to encourage the correct disposal of recyclable and organic waste, which more than doubled the proportion of our waste diverted away from landfill. Our focus areas for 2020 include our milk packaging and paper usage.

We believe that staff education on environmental issues and collaboration across businesses are key to effecting change on a meaningful scale. We are thinking about how we can share our experiences more broadly and collaborate with other businesses.

Allan Gray building Green Rating

No 1 Silo Square, V&A Waterfront, Cape Town

☆☆☆☆☆☆

6 Green Star SA certified rating

Weighted score: 75 – 100

Recognises: World Leadership

To rate a building or fitout's overall environmental impact, Green Star rating tools award points across nine categories

79 TOTAL NUMBER OF POINTS AWARDED

1. Management
2. Indoor Environment Quality (IEQ)
3. Energy
4. Transport
5. Water
6. Materials
7. Land Use & Ecology
8. Emissions
9. Innovation

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