

Statement on responsible investing

May 2023

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This document provides an overview of Allan Gray Australia's approach to responsible investing. Our approach to responsible investing covers how we deal with issues and risks relating to environmental, social, and governance (ESG) matters.

Consideration of ESG matters in investment decisions

Our approach to ESG issues and risks mirrors our approach to any other material risk to any given company that we are analysing for our Funds.

As part of our investment philosophy and process, we conduct our own assessment of companies' intrinsic value and invest in companies we believe are undervalued by the market. We assess companies' intrinsic value with reference to our calculation of the present value of their potential future cash flows. Among other things, this involves a consideration of all the risks to a company's ability to generate future cash flows, including ESG-related risks. We form our own view as to the materiality of the risk and then whether all identified, material risks are adequately reflected in a company's share price. We will not invest in a company if we believe the share price is not sufficiently discounted to reflect all identified material risks.

Material ESG-related risks differ between each company, and part of our research process involves identifying and differentiating between material, immaterial, and market risks. Examples of ESG-related risks we may consider during our research process include:

- Governance risks (e.g., whether there is a history of poor corporate governance within the company or by current directors or executives at the company, whether the remuneration structure for the CEO and other senior executives incentivises them to act in the interests of shareholders).
- Geopolitical risks (e.g., the risk of geopolitical factors affecting a company's supply chain or distribution channels).
- Political and regulatory risks (e.g., whether a company's operations are likely to be affected by changing regulation or government policy).
- The risks associated with the possibility of there being modern slavery within a company's supply chain.
- Labour-related risks (including workplace health and safety issues, union-related exposure, underpayment and poor working conditions that would not typically fall within modern slavery).
- The risks associated with a company's greenhouse gas emissions and the potential regulation thereof, including the possibility that regulation of emissions or the introduction of a carbon tax (or similar) may make a particular company's operations unsustainable.

You can find further details on our risks we have focused on each year in our Stewardship Report, which is produced at the beginning of each year.

When considering ESG-related risks to a particular company, we may consider the importance of the company's operations to society and what the position would be if the company did not operate (i.e., the counterfactual. Our assessment of the magnitude or likelihood of ESG-related risks eventuating may be informed by our view as to the importance of the company's operations to society, particularly in the case of regulatory and legal risks relating to environmental protection.

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Among other things, the identification and assessment of material risks may affect the position size we are prepared to hold in a particular investment.

Once we invest, we may engage with the company in relation to its management and mitigation of identified risks. This includes any risks to future cash flows that arise during the course of our investment. Our approach to engagement is set out below.

Screening

Negative screens and broad exclusion policies do not form part of our investment philosophy or research process. Our research process will naturally screen out any investments that are prohibited by law or regulation (e.g., sanctions).

Some institutional clients have mandates that prohibit investment in particular stocks or sectors (e.g., tobacco or weapons manufacturing). We will only agree to such exclusions if we consider that the relevant exclusions will not significantly affect our ability to generate strong long-term returns for the relevant client. All screening is enforced by in-house proprietary compliance systems.

Accountability, oversight, and incentives

Our investment process and remuneration structure are all designed to align with our clients' interest in Allan Gray Australia generating long-term, sustainable, financial returns.

A portion of our analysts' variable remuneration is based on the financial performance of the companies they propose as investment ideas. Our analysts are therefore incentivised to identify, monitor, and, where appropriate, address with companies any risks to future cash flows, including ESG-related risks.

Ultimate responsibility for the Allan Gray Australia investment approach, including incorporation and consideration of all ESG matters, sits with the Chief Investment Officer.

Governance

We believe sound management of risk by a company, including ESG-related risks, is dictated by the strength of its corporate governance. Accordingly, we consider corporate governance to be a matter of overarching importance to any investment. Although there can be governance-related risks, we do not consider 'corporate governance' to be a distinct category of risk, but rather an indicator of how well a company is likely to manage any type of risk.

We understand that there is no common optimal corporate governance structure for all companies. During both our research process and over the course of any investment, we consider the particular characteristics of each individual company and assess whether the corporate governance structures and mechanisms in place are appropriate. This may involve a consideration of, among other things, the composition of the board (e.g., whether the board is appropriately skilled, the presence of independent directors), the past performance of key individuals such as the CEO and CFO, the remuneration and incentive structure for directors and other key individuals, how the

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company has dealt with past corporate governance issues, and the company's history of compliance or non-compliance with applicable laws and regulations. If, over the course of an investment, we consider there to be areas in which the governance of a company may be improved, we may take steps (as set out below) to address those issues with the company.

Company directors and officers are required to act in accordance with the interests of shareholders. Again, if we consider that the directors and officers of a company in which we have invested are not acting in accordance with shareholder interests, we will, where appropriate, engage with the relevant company or take other steps to address the issue.

Stewardship tools

We engage with companies in order to protect and enhance investment returns. We seek to focus our efforts and resources on areas or risks in respect of which we can have the most positive impact on shareholder returns.

In terms of prioritising company engagements, first and foremost we meet with companies in which we are invested. In each calendar year we typically meet with senior management twice (as part of the Australian half-yearly reporting seasons), and the board once. Occasionally, we hold out-of-cycle meetings to address unexpected issues, sometimes of an ESG nature. Additionally, we meet with management teams of companies that we are interested in investing in, or who may provide valuable insight into a portfolio-owned company.

When evaluating any concerns raised through these engagements, we rely on our internal assessments of what is in shareholders' interests. If issues are not addressed or resolved in meetings, we will follow up with management or the board. If escalation is unsuccessful, we may look to alternatives, which include discussing our objections openly or trying to attract media coverage of the issue, voting against directors who are up for re-election, or exercising other shareholder rights. If we believe the situation warrants it, we may also consider filing shareholder resolutions and proposals.

We track our ESG engagements in an ESG Register as part of our continuous assessment and monitoring of companies.

From time to time, we may also engage and collaborate with other asset managers, industry consultants, and stakeholders to agitate for change. We may also agitate for change from regulators and governments by presenting and making written submissions to government.

We do not engage with the governments in their capacity as issuers of government bonds or notes.

Compliance with the law

Through our active engagement with companies, we may speak to the company's institutional or major shareholders and / or come into possession of materially price sensitive information. If this occurs, we will ensure that we act independently from other shareholders, including by having regard to regulatory guidance regarding collective shareholder action, and ensure strict compliance with all relevant laws, including insider trading and market manipulation laws.

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Our approach to proxy voting

When exercising our proxy voting rights, our guiding principle is to act in what we believe to be the long-term financial interests of our clients as a whole.

We consider all aspects of proposals being put to vote. This includes broader social and political ramifications, but always in the context of their impact on the long-term value of the companies in which the portfolios are invested. We vote on all resolutions that we consider important, but we do not have a prescriptive set of rules for proxy voting, as we believe this would limit our flexibility to maximise our clients' interests.

Our voting approach is based on the principle of considered investigation and transparency. It can be broken up into three stages:

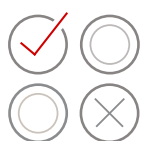


1. Investigate and communicate

We consider all resolutions on an individual basis. Our instructions could be in the form of supporting, opposing, or abstaining from voting on resolutions.

We cast our vote based on what we consider to be in the interests of our clients as a whole given all the available facts and information relating to the resolution. We do not have a policy of always following the voting recommendations of companies' boards or of proxy advisers.

Where we intend to vote against a board's recommendation, we may contact the company's management and/or board to advise them of our proposed view and engage in a discussion regarding our decision. We may also attend the relevant general meeting to voice our opinion and reasons for voting against the recommendation.



2. Submit a vote

We support the principle of 'one share, one vote' and we do not typically borrow or lend stock to change our voting rights or power in respect of any proposed resolution. We actively engage with the external voting service providers to ensure that we meet the custodial cut-off voting timelines and that our votes are not disenfranchised due to cut-off procedures.



3. Report to clients

Quarterly voting summaries for the Allan Gray Australia managed funds can be found on our [website](#).

From time to time we also provide clients with information on request. We do not, however, as a matter of course provide detailed reasons for every vote we cast. In cases where we vote against a board recommendation or a common recommendation of proxy advisers, we would typically provide our clients with our rationale for so doing on request.

This Statement is approved by the Chief Investment Officer and Managing Director of Allan Gray Australia, who has primary responsibility for ensuring its consistent application. It is reviewed on an annual basis.

ALLAN GRAY

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