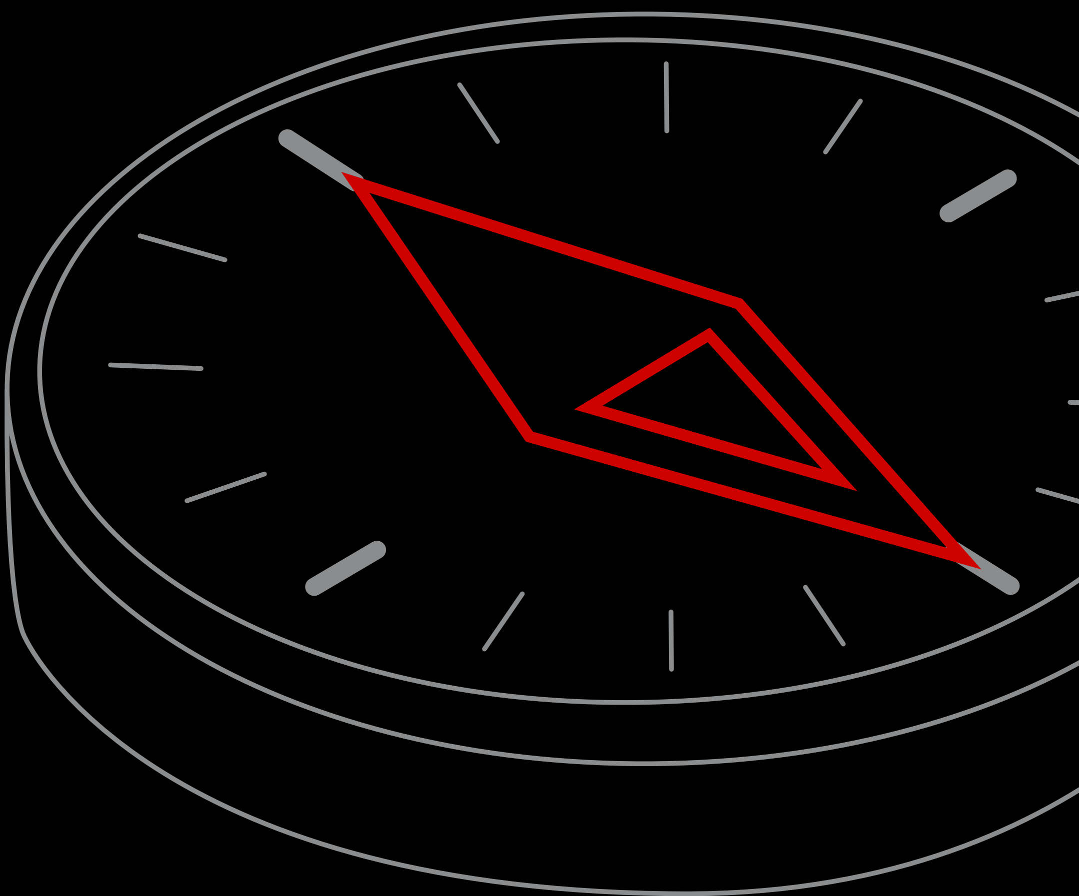
Stewardship report

For the period ended December 2024



ALLAN GRAY
CONTRARIAN INVESTING

Introduction

It is through our stewardship that we ensure, to the best of our ability, that the corporate governance practices of the companies in which we choose to invest our clients' money support the maximisation of shareholder returns over the long term.

There are three interrelated components that are central to our ongoing evaluation of whether our portfolio companies are, and are likely to continue, acting in the long-term interests of shareholders:

1. that board composition and the skills of executives provide strong corporate governance and management;
2. that the interests of key executives are aligned with the interests of shareholders (i.e., incentives, remuneration); and
3. that capital allocation practices, both past and proposed, show the company is likely to allocate capital to value-creating investments.

Our focus on these three components does not mean that other components of ESG are ignored or irrelevant. Indeed, strong corporate governance and management, the alignment of executives' interests with those of shareholders, and value-creating capital allocation practices would also suggest that material ESG-related risks and opportunities are likely to be well managed by a company. For example, in the context of climate-related risks, it is in shareholders' interests that companies comply with their regulatory obligations to reduce emissions in a cost-efficient way. All three components mentioned above work concurrently to promote this outcome. Similarly, in respect of climate-related opportunities, good governance and management, aligned executive interests, and good capital allocation practices can ensure that, as is in the interests of shareholders, capital is deployed sensibly and in a manner expected to generate acceptable returns. In most instances, this will mean that the relevant project will need to have a very high likelihood of also bringing about some real sustainability-related benefit. In respect of material social-related risks (e.g., relating to employees, labour standards, cyber, and privacy risks to customers), strong governance and the like will ensure that both necessary and adequate steps are taken to reduce the risk to companies, which is clearly in the interests of shareholders.

In this Report, we provide details and examples of our stewardship in 2024, including in respect of both company engagements and proxy voting. We also provide examples of how ESG-risk consideration is implemented in the early, stock-selection stage of our investment process.

In the introduction to our 2023 Stewardship Report, we wrote about the importance of focusing on our fundamental investment philosophy and the materiality of risks to companies. Whilst global and domestic circumstances have changed since the end of 2024, our fundamental investment philosophy has not. We continue to focus on our assessment of companies' intrinsic value, including material risks to companies' future cash flows. As in 2023, legal and regulatory risks, including in relation to emissions-reduction, continued to be risks we commonly considered in 2024, and we expect this to continue to be the case in 2025.

This Stewardship Report is approved by the Chief Investment Officer and Managing Director of Allan Gray Australia, who has overall oversight of, and responsibility for, the implementation of responsible investing.

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At a glance

Investment team

1 ESG analyst

2 Portfolio Managers

9 Analysts

Investment team engagements

66
Total number of engagements at which ESG issues were discussed

33
Total companies with which ESG issues were discussed

Number of ESG topics discussed:

- Environmental: 15
- Social: 21
- Governance: 121

Top ESG-related engagement topics

42
Capital allocation

29
Remuneration

20
Board composition and director performance

20
Executive appointments and performance

12
Climate transition

Proxy voting

307
Votes

52
Meetings

Our investment philosophy

We consider that responsible investing plays an important role in our ability to generate long-term returns and maximise the value of the portfolios we manage on behalf of our clients. As long-term investors with a focus on intrinsic value, assessing the sustainability of a company's earnings is a crucial part of our investment approach.

Our investment philosophy is to invest in companies when we believe that they are trading at a discount to our assessment of their intrinsic value. In other words, we invest in companies we consider to be undervalued by the market. We assess companies' intrinsic value with reference to our calculation of the present value of their potential future cash flows.

Companies' potential future cash flows may be affected, both positively and negatively, by any number of factors, including environmental, social, and governance (ESG) factors. We consider all risks to companies' future cash flows in the same way; by first considering materiality, and then assessing whether all identified material risks are adequately reflected in the relevant company's share price. We will not invest in a company if we do not consider that the share price is sufficiently discounted to reflect all identified material risks. If our analysis suggests that a particular company's share price is sufficiently discounted, we may invest in that company notwithstanding the identification of material risks to its future earnings, including ESG-related risks. This assessment is also the basis for whether we elect to invest in the corporate bonds of an issuer. The identification and assessment of material risks, including whether and how those risks may eventuate and how they might be managed by a company, may affect the position size we are prepared to hold in a particular investment.

Once we have invested in a company, we strive to exercise our stewardship to support the maximisation of shareholder returns at that company over the long term by exercising our voting rights and engaging actively with companies where we believe our efforts will best contribute to generating positive returns.

ESG considerations are not applied in respect of money market instruments and government bonds. The Orbis Group employ a similar integration process in respect of the international investments that arise in the Allan Gray Australia Balanced Fund. Orbis' latest Stewardship Report is available here.

ESG integration overview

Idea generation	Fundamental research	Best ideas	Ongoing review
Our investment universe includes all ASX-listed securities	ESG factors are considered when assessing our view of intrinsic value by the sponsoring analyst and our Responsible Investment Analyst	All research includes a section on ESG factors for consideration at Policy Group Meetings where it is subject to thesis defence	We are active shareholders and regularly engage with management and the board. We vote all our shares, when entitled, and agitate for change when we believe it is necessary

ESG integration

When submitting a new investment idea to a Policy Group Meeting (**PGM**), our analysts prepare investment thesis reports **(PGM Reports)**. Among other things, PGM Reports include an overview of the proposed company and the markets in which it operates, details of its past financial performance, estimates of its future earnings and financial performance, peer comparisons, broker ratings for the company, a section on material ESG-related risks, and a valuation. The consideration of material risks to a proposed company, including material ESG-related risks, is integrated throughout PGM Reports (e.g., in the discussion of the relevant markets and in estimates of future earnings), though material ESG-risks will also be noted in the ESG section. As they fall under the "Governance" component of ESG, remuneration structure and matters relating to boards and management teams are discussed in the ESG section of PGM Reports. Alongside their PGM Reports, our analysts also complete an ESG Risk Matrix, on which they rate, using a traffic light system, the severity of common ESG-related risks to the particular company. Use of the ESG Risk Matrix enables us to ensure some level of uniformity in the ESG-related risks that are considered across different companies, similar to the way in which we generally consider the same financial metrics across different companies. Prior to PGMs, our Responsible Investment Analyst also prepares a separate report (an **ESG PGM Report**) on more company-specific or nuanced ESG-related risks. Each of these documents will be reviewed by all of our analysts prior to attending the relevant PGM, at which the investment hypothesis will be subject to scrutiny and debate. Depending on the company, nature of other material risks, and what our analysts deem most important to the relevant investment hypothesis, material ESG-related risks may be discussed at PGMs.

Examples of ESG-related risks considered in PGM Reports, ESG PGM Reports, and discussed at PGMs in 2024 (alongside other risks) include:

- In respect of multiple companies, risks associated with the uncertain future demand for electric vehicles (**EV**s).
- The risks to a particular company of a decline in demand for traditional fuels.
- Different facets of geopolitical risk as they arise in respect of different companies. For example, geopolitical risk associated with foreign ownership of an asset which is central to part of a particular company's growth strategy, supply chain disruptions, and the risk of geopolitical events impacting demand for certain commodities.
- Legal and regulatory risk, including in relation to regulatory inquiries, the impact of industrial relations reforms, litigation relating to alleged contraventions of the Fair Work Act, the exposure of a particular company to discrete decisions of a certain Federal Government Minister, and the risk of proposed or future acquisitions being blocked by the Australian Competition and Consumer Commission.
- Cybersecurity and privacy-related risks, particularly in respect of one company that could be classified as being of high-risk for a cyber-attack with particularly disruptive consequences and in respect of another company that holds a significant volume of sensitive personal information.

Three examples of when ESG risks (together with other material risks and relevant factors) influenced our investment decisions and portfolio construction in 2024 arise in respect of **Ampol, Arcadium Lithium**, and **Woolworths**.

The uncertainties surrounding future demand for EVs and associated implications were risks considered in respect of both **Ampol** and **Arcadium Lithium**, though in quite different ways. In respect of Ampol, future EV demand was largely considered in the context of the company's retail business. Our analysts examined the risk that future EV demand may pose a risk to Ampol's petroleum and diesel sales, and also that increased EV penetration may do away with the need for service stations, and therefore pose a risk to Ampol's convenience retail sales. On balance, we were not of the view that these particular risks were material to Ampol, at least over our investment horizon. However, for other reasons, we did not consider that the price of Ampol's securities at the relevant time reflected a sufficient discount to our assessment of Ampol's intrinsic value, and so we did not invest in the company.

Future EV demand was relevant to Arcadium Lithium because of the use of lithium in EV batteries. Various forecasts predict significant growth in lithium demand up until at least 2030, partly on the basis of an assumed increase in EV penetration. Not only was it relevant to consider the risk that these predictions fail to materialise, either at all or to a significant extent, but our analysts also considered the risk that EV batteries may, in the future, be made using different technologies and materials (e.g., sodium). As with Ampol, we did not invest in Arcadium Lithium, though this was not solely, or even predominantly, because of the risk associated with predicted EV demand.

At the time we invested in **Woolworths**, it was, like Coles, subject to numerous regulatory and government inquiries. These included, among others, the Australian Competition and Consumer Commission Supermarkets Inquiry, the Food and Grocery Code of Conduct Review, and the Senate Select Committee on Supermarket Prices. Although those inquiries did (and indeed still do) pose an ongoing risk of regulatory reform that is materially unfavourable to the major supermarkets, we were of the view that the price of the company's securities did not reflect our assessment of its intrinsic value and invested in the company.

Once we decide to invest in a company, we may engage with the company in relation to material risks we identified during the research process or that we identify through our continual monitoring of the company. We seek to ensure the companies are addressing and minimising those material risks. If necessary, we may exercise voting rights, use our public influence (e.g., speak to the media or propose shareholder resolutions in order to try to elicit change). Details of engagements in 2024 are set out in the section below.

Other ESG work

In addition to work directly relevant to our investments, members of our investment team also carried out other work and activities relating to ESG over the course of 2024. This included:

- Expanding our review of the geographical risk of modern slavery across our portfolio companies to include disclosed upstream and downstream supply chain locations (and to reflect enhanced disclosures by portfolio companies).
- Conducting in-depth research into the risk to different Australian sectors of disruption to various maritime chokepoints.
- Conducting an ongoing analysis of civil penalties imposed in litigious regulatory matters for the purpose of informing our assessment of the risks of regulatory action to different portfolio companies.
- Monitoring proposed regulatory reforms in both Australia and overseas and considering the effect thereof on different industries and companies.
- Our Responsible Investment Analyst continuing to collaborate with the Responsible Investment teams from Orbis and Allan Gray, including in relation to research into decarbonisation of the aviation and cement industries.

Engagement

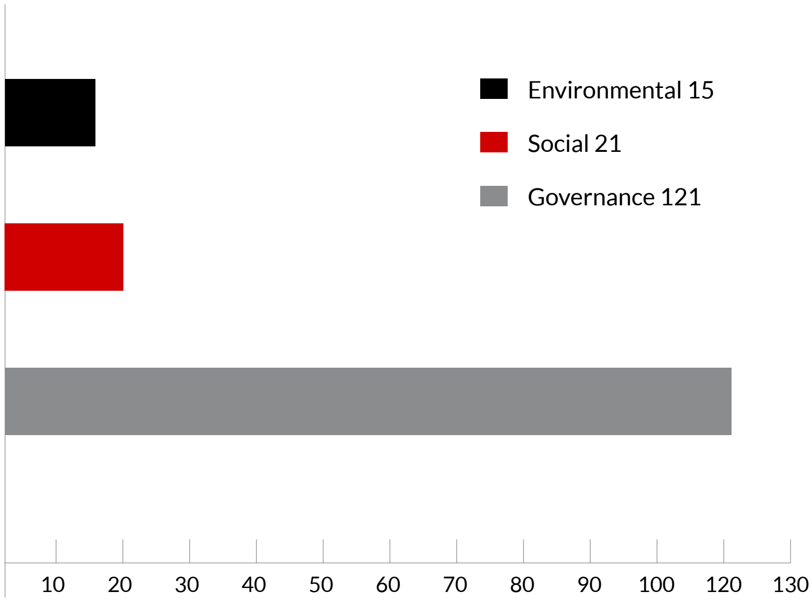
Where we elect to invest in an entity, one of our key stewardship tools is company engagement. Much of our time is spent revisiting our investment theses and as a result, actively engaging with companies on issues we consider are material, and where engagement is an effective use of our time.

We believe active engagement with a company is crucial. Not only can it protect investment returns, but it can also enhance them. To hold companies to account and to properly engage with management and/or boards on the above, we must first ensure we have a thorough understanding of each company and its practices.

Stewardship report

We track our ESG engagements as part of our continuous review and monitoring of companies. These engagements are recorded in our ESG Register, allowing us to track the status of the engagements and monitor impact.

Engagements by ESG type



*At some meetings we discussed more than one ESG issue, so figures will not total. Numerous other meetings with company management or boards were also held as part of our initial and ongoing investment research process, not reflected above.

Breakdowns*

Climate transition	12
Pollution	2
Water	1
Health & safety	7
Other employee matters	6
Modern slavery & labour standards	3
Privacy / cyber risk	2
Customer / products	1
Indigenous rights	1
Geopolitical	1
Capital allocation	42
Remuneration	29
Board composition & director performance	20
Executive appointments & performance	20
Legal & regulatory risk	10

Stewardship report

Example of ESG topics on which we engaged with companies in 2024. This is not an exhaustive list of the topics discussed with each company in 2024 nor is it reflective of all of our engagements.

	Environmental			Social							Governance				
Company	Climate transition	Pollution	Water	Health & Safety	Other employee matters	Customer / products	Indigenous rights	Modern slavery / labour standards	Geopolitical	Privacy / cyber	Capital allocation	Board composition + director performance	Executive appointments and performance	Remuneration	Legal and regulatory risk
Alcoa		✓													
Australian Clinical Labs											✓	✓	✓	✓	✓
Ainsworth Game Technology											✓				✓
Air New Zealand	✓										✓				
Amcor				✓		✓		✓			✓		✓	✓	
Ansell	✓							✓	✓			✓		✓	
Bank of Queensland					✓									✓	✓
Downer EDI				✓							✓			✓	✓
Dexus														✓	
Fletcher Building											✓	✓	✓	✓	✓
G8 Education														✓	
Insurance Australia Group										✓					
Incitec Pivot											✓			✓	
KMD Brands											✓		✓		
Lendlease					✓						✓	✓	✓	✓	
Newmont Mining	✓	✓	✓	✓	✓		✓				✓			✓	
Nufarm											✓			✓	
Orora											✓		✓	✓	
Origin Energy											✓			✓	
QBE Insurance Group	✓										✓			✓	
Ramsay Health Care											✓				
South 32				✓							✓	✓			
Skycity Entertainment Group											✓		✓		✓
Sims Metal											✓	✓		✓	
Starpharma														✓	
Santos	✓				✓						✓	✓	✓		✓
Telstra											✓			✓	
TPG Telecom	✓				✓					✓	✓			✓	
Virgin Money UK											✓			✓	
Westpac											✓	✓		✓	
Woodside	✓			✓				✓			✓	✓		✓	✓
Woolworths					✓						✓		✓	✓	✓

Capital allocation

In 2024, capital allocation was again one of the topics in respect of which we had the most engagements. Prudent and appropriate capital allocation is fundamental to a company's future cash flows. Conversely, the poor or misjudged deployment of capital can be value destructive. For these reasons, we monitor our portfolio companies' actual and proposed capital allocation and regularly engage with companies to ensure that capital is being allocated in a manner in which we believe will be value accretive for shareholders. Many of our engagements relating to capital allocation overlap with other ESG topics, particularly companies' proposed climate transition plans, investments in sustainability-related initiatives, remuneration, board composition, and executive appointments. Topics that arose in the context of our capital allocation-related engagements in 2024 included, among others, proposed or potentially value accretive acquisitions and divestments, our perceived value of buybacks, and the management of overheads and corporate costs.

Engagement example – Woodside

In late 2023 and early 2024, speculation emerged of a potential merger between Woodside and Santos. As we were (and remain) of the view that the market has put a premium on Santos relative to Woodside, we considered that any potential deal would be value destructive for Woodside shareholders. In late January 2024, we wrote to the Chairman and CEO of Woodside setting out our reasons for this decision. We do not take credit for the decision of the Woodside Board to walk away from merger talks but were pleased to see this course adopted by the company in February 2024.

Despite this, we continued to engage with Woodside in relation to its capital allocation and in May 2024 wrote again to the Chairman and CEO, this time directly proposing a share buyback. We explained why we were of the opinion that a buyback would be value accretive for Woodside shareholders. These reasons were that, at the time:

- the company's shares appeared to be undervalued in a market where there were very few active buyers;
- the practical implementation of Woodside's dividend policy (i.e., having a policy to pay out at least 50% of underlying earnings but normally paying out 80%) results in returns or yields that are below those of the company's overseas peers;
- Woodside's dividend policy had not (and has still not) been adjusted despite its acquisition of BHP's assets and changes made to the depreciation of oil and non-LNG gas assets, both of which increased depreciation and therefore reduced underlying profits with no change to cash flows;
- Woodside's sell down of its interests in Scarborough resulted in ~USD2.3 billion of cash returning to the company and reduced its future capital expenditure requirements; and
- reducing the share count at the then-current prices would have meant that the runway for franked dividends would last longer than otherwise.

We again suggested a buyback when we met with the Chairman of Woodside's Remuneration Committee in November 2024. At that time, we also raised concerns with the merits of the company's recent acquisitions, particularly its acquisition of OCI Clean Ammonia, which we do not consider to be a good use of capital. We will continue to engage with Woodside in relation to its capital allocation throughout 2025.

Engagement example – Ramsay Health Care

We met with Ramsay Health Care on a number of occasions in 2024 to discuss with the company our concerns about the quality of the company's approach to its financials and that the Board and management team do not appreciate how poor the returns in their business have been.

We first met with the Chairman of Ramsay Health Care in April 2024, at which time we asked some initial questions about the company's capital allocation and poor returns. However, our concerns about the company's capital allocation and approach to its financials grew significantly during and after a result meeting with management in 2024. In our view, the management team did not display sufficient appreciation for the sorts of returns that should be achievable on Ramsay Health Care's high quality asset base. Further, the management team's evaluation of returns omitted important costs, such as ongoing maintaining capex. We also saw basic errors in the calculations used in determining returns. For a business that deploys a large amount of capital, these sorts of issues are a major concern.

Given our concerns, we requested a subsequent meeting with the company's Chairman, which occurred in September and at which we raised our concerns. Shortly after the current CEO commenced her role in November 2024, we also met with her to relay our concerns. Following our meeting with the CEO, Ramsay Health Care's Investor Relations Team asked if we would meet with the CFO and finance team to discuss our concerns, which we also did in November.

As at the time of writing this Stewardship Report, the company's new CEO is yet to present a set of results or any plans for the business. We expect to see our previous feedback reflected in future communications and results from Ramsay Health Care. If this does not occur, we will continue to engage with the company in an attempt to bring about what we see as necessary changes.

Board composition and executive appointments

As we wrote in our 2023 Stewardship Report, strong corporate governance is an important part of ensuring that companies act in the interests of their shareholders. Overseen by boards, the performance of executives, particularly CEOs and CFOs, is equally important. Collectively, though in different ways, boards and executives set and implement strategies and make decisions which can either be value accretive or value destructive for shareholders over both the short and long term.

We regularly engage with boards when director or executive vacancies arise in the ordinary course of business (e.g., because a director has chosen not to seek re-election, a board considers that an additional director with certain skills could be beneficial, or an executive has retired or resigned for reasons unrelated to personal or corporate performance). However, our arguably more important engagements in relation to board composition and executive appointments arise in instances in which we consider that companies have been destroying shareholder value or otherwise not acting in the interests of shareholders, and that personnel changes are required to set the company back on a path towards shareholder value creation. Such circumstances can arise for many reasons including, for example, a lack of necessary skills or a lack of accountability meaning the changes required to turnaround corporate performance are unlikely to occur under the existing board and management team.

In 2024, we had cause to engage extensively with two companies in respect of which we considered changes to the boards and executive teams were necessary.

Engagement example – Fletcher Building

In February 2024, Fletcher Building made two announcements that took the market by surprise. First, an increase to their cost provisions for a major construction project (the New Zealand International Convention Centre or NZICC) and secondly, earnings guidance for FY24 that was materially below consensus estimates. As a result, the Chairman and the CEO both decided to step down. Allan Gray is the largest shareholder in the company and with a view to turning around what has thus far been an underperforming investment for our clients, we took proactive steps to engage with the Board on putting in place the appropriate leadership skills to take the company forward, both at Board and executive level.

Over the course of several months, we engaged extensively with the Interim Chairman and other Board members in relation to the composition of the Board and the changes we thought necessary. As part of this process, we introduced to the Board a new director who we believe to be an exceptional capital allocator and operator of manufacturing and distribution businesses. Our engagement with the Fletcher Building Board in relation to the appointment of a new Chairman and potentially additional Board members is ongoing. Throughout 2024, we also engaged with Fletcher Building in relation to the appointment of a new CEO/MD and CFO.

We believe that the Board has taken into account our views regarding the skills and attributes that will be required by the next management team and were pleased with the changes implemented in 2024. We will continue to work collaboratively with the board and the new management team to try and ensure that the underlying value of this company is realised for shareholders.

Engagement example – Lendlease

We first raised concerns with Lendlease's capital and balance sheet management, pro-cyclical behaviour, and lack of cost efficiency with the company's Board in November 2022. We continued to engage with the Board in relation to these topics throughout 2023 and early 2024. In March 2024, by which time our concerns had still not been adequately rectified, we, along with other investors, proposed as a direct solution to those concerns an exit from international development and a reduction in gearing. In its Strategy Update released in May 2024, Lendlease announced that it would take both these steps, no doubt as a result of the efforts of many investors, not just Allan Gray Australia.

Following the release of its Strategy Update, we have continued to engage with the Lendlease Board in relation to the company's execution of its new strategy, the Board's Chairman succession plan, and the remuneration structure (discussed further in the Remuneration section below). We proposed one potential Chairman candidate and urged the Board to discuss its proposed candidates with major shareholders. We have met with the new Chairman of Lendlease twice since his appointment in October and shared with him our view that the company has historically been a poor allocator of capital, among other things.

Remuneration

Like capital allocation, we consider that good remuneration policies are essential for maintaining and creating shareholder value. Not only do well structured remuneration policies help companies attract and retain talented individuals, they also ensure that key executives (and other staff) act in the interests of shareholders. For this reason, we scrutinise companies' remuneration policies at all stages in the investment process. Factors we consider include:

- Overall pay mix (e.g., cash and shares; fixed and variable).
- Shareholding requirements.
- Financial metrics.
- Whether non-financial metrics actually capture behaviour not covered by financial metrics (i.e., are non-financial metrics required).
- Long-term and short-term incentives, including deferral of incentives.
- The appropriateness of using external ratings for short-term incentives and long-term incentives.
- Disclosure of performance.

Whilst there is generally accepted 'best practice' for remuneration policies, we understand that the ideal remuneration policy likely varies between companies. For this reason, where we have concerns about the structure of a company's remuneration policy, we will first engage with the company to understand why they believe the policy is appropriate. If we are not convinced that the policy is likely to properly incentivise key individuals, we may exercise our voting rights to vote against remuneration reports. On the other hand, if our concerns are resolved through engagement with management, we may vote for remuneration reports in respect of which we initially had some reservations.

Engagement example – Lendlease

Over the course of our ongoing engagements with Lendlease in 2024 (see above), we discussed the company's remuneration report on a number of occasions. Owing to concerns with how the short-term award (**STA**) was calculated, we had voted against Lendlease's 2023 Remuneration Report, which received a strike against it at Lendlease's 2023 AGM. In its 2024 Remuneration Report, Lendlease removed the STA for 2025 and replaced it with a Transformation Award paid by way of security options, the vesting of which is contingent on security price recovery over a two-year period. Based on the starting price and compound annual growth rate of the security price required for the Transformation Award to vest, we were broadly satisfied that the final structure aligned the interests of the CEO (and other executives) with the interests of shareholders. We provided some feedback on the structure of the Transformation Award to the Board (largely relating to the way in which its terms would not allow an award to be paid to the CEO in circumstances in which the market falls but Lendlease nevertheless produces strong relative returns) but voted in favour of the 2024 Remuneration Report.

Engagement example – Woodside

We also engaged with Woodside in relation to its remuneration report on multiple occasions in 2024. Prior to the company's AGM in April 2024, we discussed the remuneration report with the Chairman of the Board. We discussed with the Chairman how we should view the CEO's target and maximum outcomes under the company's Executive Incentive Scheme (EIS) and the use of safety and emissions targets in that scheme. We also discussed how the CEO's total compensation compares to domestic and international peers, and the importance of this comparison to the Board when considering the risks relating to executive retention. We voted in favour of the Woodside remuneration report at the 2024 AGM.

Later in 2024, we met with the new Chairman of Woodside's Remuneration Committee to discuss the company's remuneration structure. We told the Chairman of the Remuneration Committee that whilst we are generally supportive of the EIS, there are some areas in which it could be improved. In this regard, we pointed to the following:

- The use of EBITDA as a financial metric. We consider that there are items below EBITDA which are important to shareholders and should therefore be included in the financial metrics used to assess executive remuneration. We also do not consider EBITDA to be a good metric for measuring performance of companies with capital intensive, depleting assets such as Woodside.
- The production metric being purely production, not production per share, which we consider would better align the metric with the interests of shareholders.

We also expressed the view that when assessing relative total shareholder return against Woodside's peer group, companies in the peer group that have been taken over during the assessment period should remain in the comparator group up until the point of take over.

As Woodside has not yet published its 2024 Annual Report, we do not know whether our suggestions have been incorporated into the remuneration structure, though we are confident that they were at least considered by the Chairman of the Remuneration Committee. We expect to discussion the remuneration report with the Chairman of Woodside prior to the company's 2025 AGM.

Environmental and climate-related risks

As noted above, many of our engagements relating to capital allocation also related to companies' climate transition plans and sustainability-related initiatives. Among other things, some companies' climate transition plans and sustainability-related initiatives incorporate unproven technologies, rely on subsidies or other forms of government funding that are not guaranteed, and contemplate the making of investment decisions that do not necessarily have to meet the same investment criteria as applies to other projects. Such factors can give rise to the risk that capital will be allocated towards projects that may not generate sufficient returns for shareholders and which may or may not bring about any form of emissions reduction or other sustainability benefit. If we have concerns that this may be the case, we may engage with the relevant company to better understand its reasons for making relevant investment decisions and voice our concerns, if necessary.

In 2024, we also engaged with certain companies in relation to discrete environmental issues.

Engagement example – Woodside

Woodside's Climate Transition Action Plan (**CTAP**) was the subject of intense investor and media scrutiny prior to the company's AGM. In addition to our pre-AGM meeting with Woodside's Chairman, we met separately with Woodside's Vice President, Climate, Sustainability and Energy Policy to specifically discuss the company's CTAP. Notwithstanding some concerns, namely around capital allocation and the cost of carbon that would be required for Woodside's New Energy projects to generate acceptable returns, we voted in favour of the CTAP. We consider Woodside's intended reliance on carbon capture and storage to be a cost-effective, and perhaps even necessary, way for it to meet its regulatory obligations (i.e., pursuant to the Federal Safeguard Mechanism) and are generally of the view that the company's CTAP is reasonable, transparent, and appropriately based on science and facts. Our ongoing monitoring and engagement with the company regarding its capital allocation, will include capital allocation towards new energy projects as and when is necessary.

Engagement example - Newmont

Following its takeover of Newcrest Mining, we met with Newmont's management team. As part of this discussion, which touched on a range of issues, we asked the company how it was managing the dust pollution issue at the Cadia mine. This was an issue we had previously discussed with Newcrest Mining and mentioned in our 2023 Stewardship Report. We were told that on-ground and underground mitigation activities were ongoing at the Cadia site, and that specific inquiries as to whether dust from the Cadia mine was actually having any impact on water quality in the surrounding areas was yet to reveal any correlation. Newmont also explained that it was undertaking further reviews of former Newcrest sites to ensure that all possible health risks were considered. Newmont said that whilst it takes a different approach to these reviews to the approach previously adopted by Newcrest, it had not found anything to have been missing by the earlier reviews undertaken by Newcrest. Overall, we were satisfied that the dust pollution issue at the Cadia mine was being appropriately managed by Newmont and our site visit during the year added further comfort in this regard.

Engagement example – Alcoa

We also engaged with Alcoa in relation to concerns with the structural safety of its tailings dams that had been raised in the media. Alcoa explained to us that there is no evidence of significant instability in any of their tailings dams and no data to suggest that any are at risk of imminent failure. Alcoa provided us with details of the international standards with which it complies and in respect of which it publishes data and explained the status of its tailings dams under those standards. Based on this engagement, we formed the view that Alcoa is appropriately managing the inherent risks associated with its tailings dams.

Modern slavery, health and safety, and other employee-related issues

In 2024, we continued to discuss with companies their monitoring and management of the risk of modern slavery and poor labour standards within their supply chains. We also engaged with companies in relation to a range of other employee-related issues, including health and safety.

Engagement example – Ansell

We have been engaging with Ansell in relation to its management of modern slavery risk for a number of years. In 2024, during our pre-AGM meeting with the company's Chairman, we asked questions arising from Ansell's reporting of their management of this risk. For example, Ansell had reported that some suppliers had non-conformances with social insurance. Given social insurance is a legal requirement with which those suppliers must comply, we asked how it was that those suppliers were said to be complying with Ansell's standards without complying with local laws. We were told that this is an issue that only arises in respect of Chinese suppliers and that there are certain cultural and social factors within China that mean non-conformance is widespread. Ansell also said that despite these difficulties, it is working with Chinese suppliers to improve conformance, that it had made changes to its internal risk ratings to that non-conforming suppliers could receive no higher than a "C" score, and that this is the only instance in which suppliers are deemed to be complying with Ansell's standards despite not complying with local laws. We also discussed Ansell's requirements for suppliers with a "C" rating on their internal standards to improve performance within 6-12 months, and the reasons why Ansell has not set a date by which its factories in Malaysia and Thailand will operate under 60-hour work weeks for employees. As we have been for some time now, we were satisfied that Ansell is appropriately and pragmatically managing the risk of modern slavery within its supply chain.

We also discussed with Ansell's the company's safety performance. Ansell had reported record safety performance in 2023, but that performance was not sustained. The Chairman of Ansell told us that getting safety performance back to 2023 levels would be difficult, largely because of the integration of the newly acquired Seramban Careplus plant and the need to develop the safety culture of that plant so that it aligns with that of the broader company. Whilst we always want to see improving safety performance, we are of the view that Ansell continues to take safety seriously.

Engagement example – Downer

Over the course of 2024, Downer recorded three fatalities at its operations. We engaged with Downer to understand the circumstances behind those incidents and the steps Downer is taking to reduce the risk of further fatalities. We were told that in the case of each fatality in 2024, Downer safety procedures were not followed and/or criminal activity was involved. We were further told that Downer has initiated a review of its safety procedures and implemented a safety reset. In light of the fatalities, the Board of Downer applied downward discretion to the FY24 short-term incentive (**STI**). Whilst a good indication that the company is taking seriously the need to improve its safety performance, we indicated to the Board that we expect a large impost to be imposed on the FY25 STI if there are fatalities in 2025.

Engagement example – Woolworths

The strikes by Woolworths' warehouse workers, including that they related, in part, to the company's implementation of a productivity monitoring tool, in late 2024 were well publicised. We engaged with the company to better understand the circumstances surrounding those strikes, particularly in respect of the productivity monitoring tool. We were told that the tool, called a Coaching and Productivity Framework, had been paused across all Woolworths sites and that before it had been paused, less than 2% of workers covered by the Framework had received coaching or retraining to improve productivity. We were also provided with details as to how the Framework was developed, including the selection of participants, and the discretion that managers have when applying the Framework to individual employees. Woolworths explicitly stated that it does not track the physical location of team members in distribution centres using GPS technologies, and that the time of employees' breaks for using amenities or having drinks is not tracked. Based on our engagement with Woolworths, we were satisfied that the company was acting reasonably in response to employees' concerns with the Coaching and Productivity Framework.

Proxy voting

The exercise of our proxy voting rights is not only a useful engagement tool but is also essential to our role as responsible stewards of clients' capital.

When exercising our voting rights, our guiding principle is to strive to act in a manner consistent with 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 aways 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 ability to act in a manner consistent with the long-term financial interests of our clients as a whole.

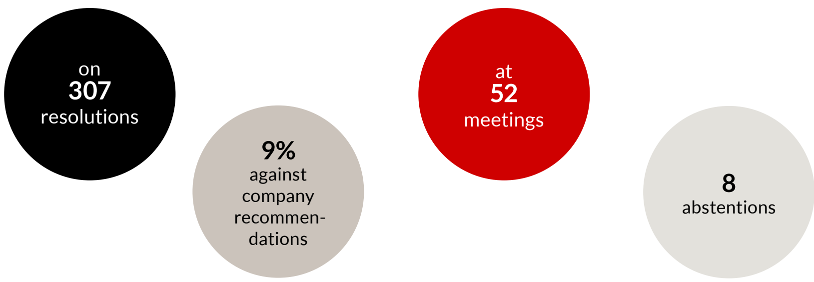
Proxy voting recommendations are the responsibility of the sponsoring analyst of each portfolio company. The alignment of part of our analysts' remuneration with the performance of their companies incentivises them to approach proxy voting recommendations in accordance with the long-term financial interests of our clients. Our analysts have access to proxy voting adviser reports, but we do not have a policy of always following the advice in those reports.

Voting record

Many votes cover routine matters in respect of which we would usually expect to support the company's recommendation. That said, there are points on which we disagree, and we are prepared to exercise our voting rights accordingly. We tend not to vote against a company's recommendation unless we have had an opportunity to engage with them in relation to our concerns. If we have not had such an opportunity before the time comes to lodge proxy votes, we will usually abstain from voting on the particular resolution. However, there may be circumstances in which we consider a resolution so likely to be destructive of shareholder value that we will vote against it without first discussing our concerns with the company.

Allan Gray Australia Equity Fund: voting record in 2024

During the year, we voted:



Source: Glass Lewis, Allan Gray Australia.

Period	Number of meetings	Votes for	Votes against	Abstentions	Votes with company recommendation*	Votes against company recommendation**	% against company recommendation
Quarter 1	2	29	4	0	28	5	15%
Quarter 2	14	66	5	2	64	7	10%
Quarter 3	4	7	0	4	7	3	27%
Quarter 4	32	171	17	2	170	12	6%
Total for 2024	52	273	26	8	269	27	9%

*Companies do not always make voting recommendations. In 2024, there was no recommendation for 11 of the 307 resolutions.

**Abstentions are generally votes against company recommendations.

Category	Votes with company recommendation	Votes against company recommendation	% against company recommendation
Audit/Financials	15	0	0%
Board Related	136	8	6%
Capital Management	13	3	19%
Changes to Company Statutes	2	0	0%
Compensation	84	12	13%
M&A	2	3	60%
Other	7	1	13%
SHP: Environment*	6	0	0%
SHP: Governance*	4	0	0%
2024	**269**	**27**	**9%**

*SHP refers to Shareholder Proposals.

The proxy voting records for each of the Allan Gray Australia Funds for each quarter are accessible through our website.

Votes against company recommendations

Below we provide details of the some of the instances in which we voted against company recommendations in 2024.

TPG Telecom

We voted against a resolution to grant the MD/CEO of TPG performance retention rights. We did not support the grant of these rights as we were of the opinion that doing so would detract from the consistency of operation of the company's remuneration scheme. Moreover, we had not seen any evidence that the CEO's remuneration package (excluding the retention rights) was relatively low. In light of this resolution, we abstained from voting for the Remuneration Report. In the absence of the one-off retention rights, we would have voted for the remuneration report.

Virgin Money UK

We voted against the company's recommendation to approve the acquisition of Virgin Money UK by Nationwide Building Society. Based on our analysis, we were not of the opinion that the price being offered by Nationwide represented good value for Virgin Money UK shareholders. In particular, we thought the 0.65x tangible net asset value implied by Nationwide's offer price was well below our assessment of intrinsic value, even if large write offs (e.g., akin to those which occurred post-GFC) took place or if Virgin Money UK's restructuring charges significantly exceeded the company's representations. Moreover, we were of the view that given Virgin Money UK's lending book had less credit risk than the much smaller credit book of Tesco Bank, Virgin Money UK should have attracted a meaningful premium over what Barclay's paid for Tesco Bank earlier in the year. The Nationwide offer did not reflect such a premium. For these reasons and others, we did not consider that the proposed acquisition of Virgin Money UK was in the interests of its shareholders and therefore voted against the resolution.

Additional matters

This Report has focused on the work we do with portfolio companies, as stewards of our clients' capital. As well as assessing the sustainability of portfolio companies' future earnings, we assess our own operations to ensure we are acting in a responsible manner. In this section, we provide an overview of other initiatives we have undertaken in relation to ESG matters.

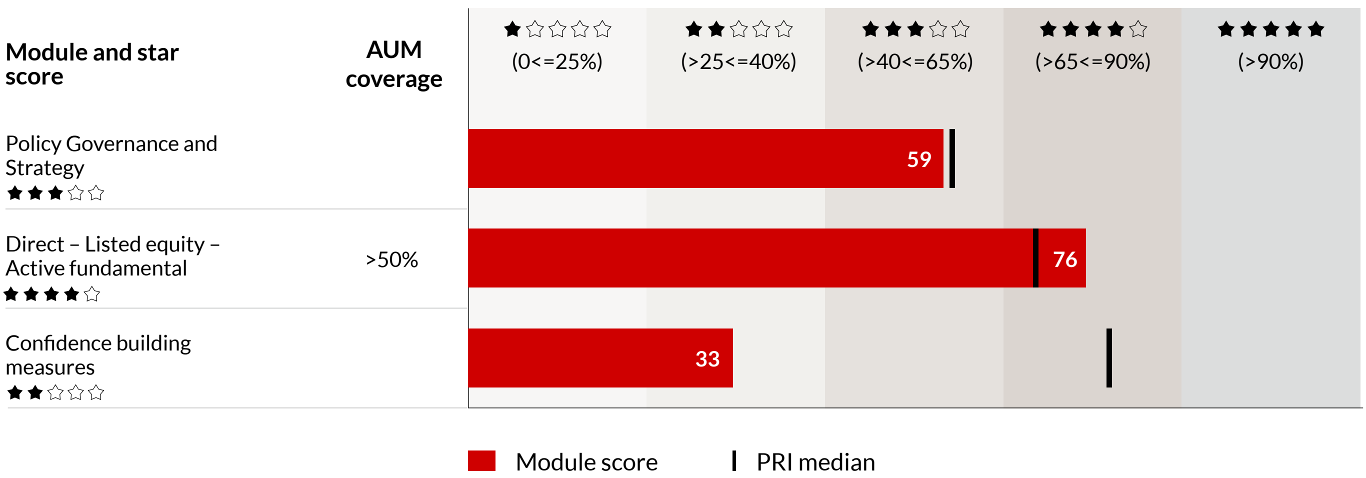
Climate-related disclosures

In 2024, we continued to monitor regulatory developments relating to mandatory climate-related disclosures. Allan Gray Australia is not a Group 1 entity and is therefore not required to report under this regime in 2025.

Principles for Responsible Investment

The Principles for Responsible Investment (**PRI**) initiative is a UN-supported network of investors which works to promote sustainable investment through the incorporation of ESG factors. Allan Gray Australia became a signatory to the PRI in 2018. We last completed the PRI reporting process in 2023. Reporting in 2024 was voluntary, and we did report. Our scorecard for the year ending 31 December 2023 is set out below.

PRI rating achieved for the year ending 31 December 2023



To read more about our approach you can download a copy of our Public Transparency report and our Public Assessment report (from 2023) from our website.

You can find out more information about the PRI, including information about the PRI assessment methodology, at www.unpri.org.

Relevant policies

Allan Gray Australia continues to comply with the wider groups' Code of Conduct which includes policies relating to Conflicts of Interest and Bribery and Corruption. The Conflict of Interests Policy governs the way in which we engage with company boards and senior management and ensures that any conflicts arising in connection with such engagement or the exercise of proxy votes are appropriately disclosed and managed.

Modern slavery

Allan Gray Australia's annual consolidated revenue in 2024 did not meet the threshold for reporting under the Modern Slavery Act 2018 (Cth). Nevertheless, we have implemented a Modern Slavery Policy in Q1 2023 which was reviewed in 2024.

The Allan Gray Australia Equity Fund has reported under the Modern Slavery Act 2018 (Cth) for the fourth time in 2024. The Allan Gray Australia Equity Fund modern slavery statement outlines the Fund's approach to modern slavery, which includes a risk-based assessment of the Fund's direct suppliers, independent and disciplined research in relation to investments and ongoing engagement regarding identified risks.

ALLAN GRAY

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