Orbis
Invest Differently

Stewardship Report

For the year ended 31 December 2021

As a firm, we have always been guided by our Core Values—one of which is to act responsibly—when making investment decisions. In 2021, we took this a step further and formally codified a Statement of Principles on responsible investing. In this annual Stewardship Report, we provide more detail on those principles and how we have applied them in practice.

With climate change being a critical area of interest for many of our clients, we take a closer look at how we think about this issue from an investment perspective. In doing so, we provide detail on the climate-related exposures in the Orbis Global Equity Strategy and discuss a number of examples from the portfolio. We also provide our first-ever assessment of our own carbon footprint as a firm.

Recent events in Ukraine have also been top of mind. Both the horrors of war and the impact on food and energy prices globally have underscored the complex ways in which environmental, social and governance issues interact. There are no easy answers, but we have renewed conviction that a principles-based approach gives us the best chance of meeting our objective to generate superior returns for clients while earning their trust and confidence through the actions we take on their behalf.

We are also committed to continuous improvement in this area. As our new president and investment team leader Adam Karr noted in his year-end letter, one of our key priorities for 2022 is to raise the bar in all respects when it comes to responsible investing. We are excited to share some of the initial steps that we are taking to strengthen our capabilities and processes in this area—and we look forward to providing even more updates in future reports.

In the meantime, we welcome all feedback from clients and consultants on our approach to responsible investing and associated disclosures, either to your local Orbis team or at clientservice@orbis.com.

Integrate thoughtfully | **Engage proactively** | **Reject judiciously**

This document constitutes the annual reporting on Orbis' engagement and voting activities, as required by the Shareholder Rights Directive II (Directive (EU) 2017/828).

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OVERVIEW

Our approach to responsible investing

In our role as stewards of our clients' capital, our values are the compass that guides us. One of our Core Values is to act responsibly.

To us, responsible investing means both taking a holistic view of a company's practices when making investment decisions, and fulfilling our duties in good faith as active owners. Through the actions we take on their behalf, we seek to earn not only superior risk-adjusted investment returns for clients, but also their trust and confidence. In these ways, investing responsibly is consistent with our values and purpose as a firm. We strongly believe there is a real opportunity to make a positive difference by taking a considered approach.

Our Responsible Investing Statement of Principles outlines three principles (shown below) that help guide our discussions and decisions as we put our values into practice.

Integrate thoughtfully

We believe a company's approach to environmental, social and governance factors has a significant impact on its intrinsic value. But understanding those factors isn't a simple tick-box exercise: like assessing a company's competitive advantage, it's complex and requires judgement. Accordingly, we weigh up the impact of a company's actions on a wide range of stakeholders (employees, suppliers, customers, etc.) as well as relevant externalities that are not always captured in the company's financials. Doing so is essential to forming a comprehensive assessment of intrinsic value.

Engage proactively

We believe positive change comes from engaging with problems, not isolating from them. Simply divesting shares does little to improve matters and merely passes ownership on to others. Direct engagement with management teams offers a true "win-win" opportunity—a chance to be part of the solution while also allowing our clients to benefit from the uplift in value that comes with it.

Reject judiciously

While our overwhelming preference is to be proactive, engagement has its limitations, and sometimes walking away is the most responsible thing to do. We have never accepted the notion that "others make the rules; we just play the game". There will be times when we are unwilling to own a company's shares, at any price.

Our Responsible Investing Implementation Statement describes how we implement our approach to responsible investing in the three areas shown on the next page: integrating sustainability risks and any other environmental, social and governance issues (together "ESG factors") into our investment process; engaging with investee companies; and voting at shareholder meetings.

ESG integration

Our analysts consider a range of factors that may impact a company's intrinsic value, which can include ESG factors*.

Research of ESG factors informs decisions not to invest in companies as much as it informs decisions to invest.

All "Phase Three" fundamental research reports that are submitted to a Policy Group Meeting—a forum for rigorous peer review—include a section on ESG factors.

For more information, see Responsible Investing Implementation Statement.

Engagement

Our analysts engage company executives to inform our assessment of intrinsic value and to discuss issues of interest to shareholders, including ESG factors.

Our primary objective when engaging with companies is to improve our understanding of the business. From time to time, we can contribute to a company's deliberations over its broad strategy and share ideas we believe will enhance shareholder value, subject to applicable law and regulatory and market expectations.

We consider engaging with companies privately to be more constructive than public engagement, but on rare occasions may publicise our concerns.

For more information, see Policy on Engagement.

Proxy voting

Voting rights are an important benefit to equity investors. In exercising them, we strive to act in what we believe are the long-term interests of the Orbis Funds and their investors.

We approach shareholder votes taking into account a wide variety of considerations and without prescriptive rules.

Our voting record is available to investors. We are likely to oppose proposals that, in our view, reduce shareholder rights, shareholder influence over the company or impair shareholder value.

For more information, see Proxy Voting Policy.

We devote a section of this report to each of these areas, in each case providing an overview of our approach before sharing examples of how we implemented it in 2021. The Investing Responsibly section of orbis.com contains more information on our approach to responsible investing, including links to the statements and policies above.

While we don't claim that ours is the "right" approach, we believe it is consistent with who we are as a firm and with what we aspire to deliver on behalf of clients who share our belief that investing responsibly is an integral part of investing well. We expect our approach to evolve as we learn and improve.

*ESG factors include sustainability risks and other environmental, social and governance issues.

Accountability, oversight and incentives

Consistent with the principle of individual responsibility and accountability that underlies our investment process, our investment team is responsible for integrating relevant ESG factors into their bottom-up research, engaging with investee companies and voting at shareholder meetings.

Our investment team leaders are responsible for the implementation of our approach to responsible investing within their teams. Adam Karr, who leads the investment team overall, is ultimately accountable for the firm's investment process, including implementing our approach to responsible investing. Ben Preston, one of our investment team leaders and a member of the board of Orbis' holding company (Orbis Holdings Limited), is responsible for overseeing any changes in how we implement our approach and for escalating such decisions to the head of the investment team, Adam Karr, or board, as appropriate.

We have powerful incentives to be responsible stewards of our clients' capital. One of our most important objectives when we started Orbis was to ensure a clear alignment of our interests with those of our clients. Our fees are designed to reward us for superior performance as well as penalise us for underperformance, and the firm's founders, owners, management and employees, and their family members, are collectively one of the largest investors in our Funds.

This alignment of interests flows through to the incentive structures for our investment team: variable compensation for the people who direct client capital comprises cash flows tied to the profits of the firm, ensuring they cannot do well financially when our clients do not.

Available resources

In implementing our approach to responsible investing, our analysts draw on whatever resources they consider appropriate for their research, including public information, third party research, company reports and direct engagement with companies.

For example, analysts increasingly use job boards like Glassdoor to gain insight into corporate culture from frontline employees as part of their bottom-up research. Quantitatively, they may review company ratings data to observe trends, make peer comparisons and identify areas where companies do well or fall short (e.g. culture and values, career opportunities, etc.). They may also review text to perform sentiment analysis as a supplement to ratings. Qualitatively, our analysts often read a sampling of reviews to discern themes.

We do not currently have any people dedicated solely to ESG research, but our analysts have access to various internal resources, such as the expertise of our in-house Legal team with respect to governance matters and internal guidance notes that highlight best practice. In late 2021, we subscribed to ESG data and research from S&P and Sustainalytics, and we are now working to incorporate this information into our investment process tools.

One analyst within each of our investment teams acts as a responsible investing "champion" in order to advocate best practice within their team, such as by raising these issues in team meetings. We hold annual workshops with each investment team to review Orbis' approach to responsible investing. Our intention when holding these workshops and sharing guidance notes is not to be prescriptive. Instead, we encourage analysts to keep abreast of how ESG factors can affect a company's intrinsic value, to think about when and how to engage with companies, and how to evaluate voting decisions.

External initiatives

Orbis has been a signatory to Japan's Stewardship Code since 2015 and to the United Nations supported Principles for Responsible Investment (PRI) since 2017. Reporting to PRI gives us the opportunity to explain our approach to areas such as ESG integration and active ownership using a common framework, allowing clients to better assess whether our approach is consistent with their own beliefs. The annual assessment process also identifies potential opportunities to improve our approach or make it more transparent.

For example, as part of the process by which we prepared to become a PRI signatory, we published a Statement on Responsible Investing (since superseded by our Statement of Principles and Implementation Statement) and Policy on Engagement. More recently, we made our proxy voting records available publicly via our website, not just to clients. We make PRI's Assessment Report available to clients and potential clients upon request, and continue to use the annual reporting process to look for opportunities to improve. In doing so, we continue to be guided by the principle of acting in the interests of clients rather than making changes simply to secure the highest possible scores from PRI.

Recent enhancements and priorities for 2022

At the start of 2021, our two broad focus areas were to strengthen our responsible investing capabilities and to continue to improve our reporting to clients in this area. Publishing our inaugural Stewardship Report (covering the 2020 calendar year) last year was an important milestone in our pursuit of the latter objective.

To help us identify opportunities to improve our responsible investing capabilities, we first put pen to paper to clarify our beliefs. The outcome of this exercise is our Statement of Principles that we published in November 2021. At the same time, we published our Implementation Statement that describes how we currently implement those principles.

While we expect our principles to be enduring, the way we implement them will evolve with our responsible investing capabilities and processes. Now that we have a better understanding of the path we intend to follow, it is much easier to identify gaps and to set priorities for the journey ahead. Our main investment-related priorities for 2022 relate to people, process and data.

We are looking to build a small team of responsible investing analysts to undertake detailed research of ESG issues impacting the intrinsic value of investee companies. These issues form part of the mosaic of factors that determines a company's intrinsic value. Given the increasing importance of ESG factors in that assessment, we feel the time is right to build a specialist capability to act as an additional input to our investment decision-makers, helping them to evaluate investee companies from a responsible investing perspective. We expect their expertise and research to be crucial in enabling us to execute on the "integrate thoughtfully" and "engage proactively" principles.

Recent enhancements and priorities for 2022 (continued)

Other priorities are to develop a more systematic approach to engaging with investee companies and to establish a process to implement the "reject judiciously" principle. Our individual investment decision-makers have always had the freedom to reject ideas if they don't believe it's responsible for us to hold them, irrespective of the investment merits, and in 2022 we will put in place a process to do so across all the Orbis Funds.

After conducting a series of trials, we subscribed to ESG data and research from S&P and Sustainalytics in late 2021. We are now working to integrate this information into our investment process tools.

It is clear from our interactions with clients that the vast majority consider climate change to be their top responsible investing priority. To help clarify our own thinking on this topic, we intend to publish in 2022 a document explaining how we intend to apply our responsible investing principles in this area. Related to that exercise, we have started to develop a framework to assess the transition plans of investee companies. We must also ensure we are acting responsibly in our own operations. In 2021 we launched a project to measure the carbon footprint of our own operations. We provide information on both of these initiatives elsewhere in this report and in 2022 we intend to increase awareness among our people of our operational footprint.

In our Stewardship Report 2020 we provided improved disclosure on our proxy voting activities, including a breakdown of votes by topic. During 2021, we incorporated this information into the proxy voting reports that we make available on our website each quarter in order to improve these regular disclosures.

PRI changed its reporting framework in 2021 and we expect to receive an assessment from PRI in mid–2022. This may enable us to identify other opportunities to improve that are in the interests of clients. Similarly, we continue to welcome feedback from clients on our approach to responsible investing and associated reporting.

Our approach

As long-term investors, it is critical for us to understand the full range of factors that might affect a company's intrinsic value, including those related to ESG issues.

By requiring our analysts to consider which ESG factors might be material to their assessment of intrinsic value, we place these efforts at the heart of our investment process.

Integration into investment process

In seeking superior risk-adjusted returns for our clients, we aim to invest in securities of companies that trade at a significant discount to our assessment of their intrinsic value, being the price that a prudent business person would pay for the business.

We have designed our investment process to maximise the chances that we can successfully implement our fundamental, long-term and contrarian investment philosophy. We use a structured research process to eliminate unattractive ideas in the early stages so that we can concentrate our efforts on the most promising ideas.

As part of this bottom-up research process, the analysts closest to each company are responsible for determining which ESG factors may be material to their assessment of a security's intrinsic value, and apply investment judgement when analysing them. As a result, they may revise their forecasts for a company's long-term fundamentals, or may adjust the valuation multiple they assume at the end of our investment horizon in recognition of the fact that ESG-related risks can extend much further into the future. In these ways, such considerations can impact our assessment of a company's intrinsic value—and with it our investment decisions.

ESG factors can present both risk and opportunity for companies. A company's culture, talent management and governance influence its willingness and ability to adapt to these risks and opportunities, and can therefore either magnify them or turn risks into opportunities (and vice versa). At the same time, market prices can deviate substantially from intrinsic value. These layers of complexity often make ESG factors nuanced. We aim to embrace this uncertainty by forming an independent, bottom-up view on their potential impact on intrinsic value. While we may reject investment ideas due to ESG concerns, and may even conclude that we would not own a stock at any price, we may also find attractive long-term investments when prices overly discount such risks, or do not reflect ESG-related opportunities.

To make the integration of ESG factors systematic, all Phase Three fundamental research reports submitted to a Policy Group Meeting—a forum for rigorous peer review—include a section on relevant ESG factors. This enables us to think carefully about these factors when making investment decisions and, once invested, when deciding whether and how to engage with investee companies, and on how to vote at shareholder meetings.

The diagram below summarises how we integrate the consideration of ESG factors into the investment decision-making process.

Investment Process Overview		ESG Integration and Stewardship
New company idea	**Idea generation** Quantitative and qualitative screening to identify ideas	• We **don't exclude** any company or industry from entering our research process based on ESG factors
Phase 1, 2, 3 research	**Independent fundamental research** Structured process to filter ideas with only the most promising moving to the next phase	• We **identify** and **analyse** potentially material ESG risks and opportunities affecting a particular company • We **integrate** material ESG factors into our assessment of intrinsic value • All Phase 3 research reports that are submitted to a Policy Group Meeting **include** a section on relevant ESG factors • Participants can **submit** ESG-related questions for discussion in the meeting
Thesis defence	**Peer review** A Policy Group Meeting is a forum for rigorous peer review, not a decision-making body	
Best ideas **The portfolio**	**Portfolio management** Client capital is directed into the highest conviction ideas while considering risk and currency inputs when selecting/sizing positions	• We **purchase** securities trading at a discount to our assessment of intrinsic value* • ESG risks can impact **security selection** and **position-sizing decisions** • We **engage** with investee companies to encourage improvement in their ESG-related performance • We **vote** at shareholder meetings • We **monitor** material ESG factors at investee companies

*No ESG issue automatically prevents us from investing in a company unless otherwise restricted by a Fund's investment mandate.

Integration into investment process (continued)

Position sizing is driven from the bottom up and results from consideration of the following factors: (1) the analyst's conviction in each stock's risk-adjusted return potential; (2) the opportunities available elsewhere; and (3) other portfolio-level considerations such as geographic exposure, concentration, marketability and ownership limits. Since ESG factors can materially affect our assessment of a stock's intrinsic value, and thus our view of its risk-adjusted return potential, they can have a significant impact on a stock's weighting in the portfolio.

We consider a relevant ESG factor to be one that is potentially material to an analyst's assessment of a security's intrinsic value. Each analyst's investment recommendations provide the most significant input into their remuneration, giving them a clear incentive to think deeply and independently about which, if any, ESG factors might be material to each individual company—and not to spend precious time on immaterial issues.

Since ESG factors are many and various, and their impact on individual companies is very company specific, we consider it important that ESG research is not a tick-box exercise but rather a core element of our bottom-up research process and ongoing monitoring of investee companies. Analysts have access to data and research from S&P and Sustainalytics to help them identify and assess potentially relevant ESG factors.

Orbis' Responsible Investing Implementation Statement, which we aim to update at least every two years, describes how we integrate ESG factors into the investment decision-making process.

Examples of when ESG factors influenced our investment decisions

The following examples show how ESG factors influenced our investment decisions in 2021. New evidence may cause our views to change, while movements in share prices will impact our estimates of future long-term returns relative to the wider opportunity set.

Rejected ideas

Our analysts' research of ESG factors informs decisions not to invest as much as it informs decisions to invest. Examples of rejected ideas therefore provide an insight into our approach to ESG integration that is not evident from a review of portfolio holdings.

The risk that carbon prices or a valuation de-rating would lower intrinsic value was a factor in the decision not to invest in a US-based industrial gases company. Its stable core business has low economic sensitivity, while its leading position in green hydrogen made the company a potential beneficiary of the energy transition. But its gasification operations, which convert heavier fuels (including coal) into synthesis gas, appeared to have very negative environmental impacts.

We decided not to undertake further research of a French-based electricity producer after concluding that the potential upside was insufficient given significant risks facing the business and minority shareholders. As the operator of one of the world's largest portfolios of nuclear reactors, the company could benefit from a shift in energy policy to favour nuclear power but long lead times mean that nuclear plants may not help governments meet decarbonisation targets. Furthermore, the interests of the controlling shareholder (the French government) may not be sufficiently aligned with those of minorities.

Rejected ideas (continued)

We researched a Korean manufacturer of semiconductor devices whose share price had fallen materially due to fears about lower demand for memory chips, even though industry consolidation seemed likely to support long-term profitability. The company's use of transfer pricing to book profits of its Chinese subsidiary in Korea introduced tail risk due to the size of its Chinese production base and customer relationships. As a result we rejected the idea in favour of a peer company that we believed took a more conservative approach to transfer pricing.

Corporate governance concerns contributed to the decision not to proceed with further research on a number of Chinese companies, including:

- A manufacturer of traditional Chinese medicine and personal care products, where we felt the price paid to purchase low-returning, non-core assets from the parent company was unfavourable to minority shareholders.

- A retail chain whose ownership structure was unnecessarily complicated, enabling the founder to retain control (via shares with special voting rights) while using the company's capital to fund investments that may not be in the interests of minority shareholders.

- A food producer whose founder held a controlling stake through a parent company with which the food company set up a joint venture to invest in its suppliers despite being well capitalised, and therefore able to finance all of these investments itself.

We may choose to revisit ideas we rejected previously due in part to ESG concerns if we feel the risks have subsided or if the share price falls to levels that may more than fully discount such risks. One such example is a Korean-based developer of mobile and online games that we rejected in 2019 due to concerns about the sustainability of its profits given its aggressive monetisation methods, especially the addictive nature of its lottery-style games. The shares subsequently underperformed significantly amid a boycott by users. In response, the company decided to transition to games that monetise less aggressively while appealing to a higher number of users. Even though we welcomed this shift, we once again rejected the idea because we lacked conviction in the company's ability to transform its business model by developing innovative new games.

Portfolio activity

Last year we described how ESG concerns resulted in us pausing our research of **Fleetcor Technologies**, a US business payments provider. Employees' Glassdoor reviews included multiple references to unethical treatment of customers in its Fuelman business that was also the subject of a regulatory complaint. In turn, this raised concerns about the company's culture and governance. In 2021, additional primary research led us to conclude that these concerns were not an accurate reflection of the company's culture or current business practices. We established a significant position in Fleetcor in the Orbis Global Equity Strategy in the belief that its share price did not reflect the potential for its niche, closed-loop payments networks to deliver profitable growth over our investment horizon. Other key elements of our investment thesis were expectations for a cyclical recovery in activity within those networks and the value creation track record of its management team, whose interests are well aligned with those of long-term shareholders.

In 2021 we purchased the following stocks in the Orbis Global Equity Strategy due in part to our belief that their share prices did not adequately reflect opportunities related to the transition to a lower-carbon economy:

- **AES** is a global independent power producer based in the US that has already gone through a decade-long transformation from coal-based power to renewables. While still generating around 25% of its power from coal, we expect further declines as the company adds renewables capacity and retires coal-fired power plants. In time, investors who previously viewed its shares as being off-limits are likely to consider them investible once again. The company also owns a stake in Fluence, an energy storage business that is a leading installer (alongside Tesla) of grid-scale battery storage that is key to enabling renewables to be deployed at scale.

- **Sumitomo Electric Industries** is a Japanese company whose core business makes auto wiring harnesses—the nervous system for a car. While often trading as an auto parts company, selling off amid signs of rising threats from electric vehicles, we expect Sumitomo Electric to benefit from increasing vehicle electrification because electric vehicles are more wiring-intensive than those with an internal combustion engine. We also expect the shift towards renewable energy to require improved infrastructure, such as the battery storage technology and high-voltage power cables that the company supplies to increase power grid stability.

- **Sunrun** is a US company that leases, installs and operates solar panels for homeowners. As the cost of these panels has fallen, they have become a cheaper and more reliable alternative to centrally produced electricity, especially when accompanied by battery storage. Leasing solar panels from Sunrun results in a saving for households from the outset. The company has expertise in financing that we consider a source of competitive advantage, together with its nationwide distribution and service network, that enables it to source batteries and solar modules more competitively than peers. As a result, we believe Sunrun is well positioned to benefit as solar penetration increases from its current level of less than 3% of US homes.

In 2021 we eliminated the position in **Sumitomo**, a Japanese trading company, in the Orbis Global Equity Strategy. Our original thesis was that Sumitomo was an average quality business trading at a below average price, with the potential for positive change. In particular, its strong balance sheet put it in a position to improve capital efficiency and returns for shareholders via dividends. Subsequent capital allocation decisions, including a dividend cut, were contrary to our thesis. The company also retained investments in coal-fired power generation and in thermal coal mining. While the company has adopted more stringent emissions reduction targets, the associated risks called for a lower valuation multiple. After engaging with management on multiple occasions, ongoing concerns about capital allocation weakened our original thesis and weighed heavily in our decision to eliminate the position in order to shift capital to higher-conviction ideas.

How we think about ESG risks facing some significant positions in the Orbis Funds

Just as there is scope for different views on the sustainability of a company's competitive advantage, there is scope for investors (and individual Orbis analysts) to have different views on ESG matters. In this section we use the examples of **British American Tobacco** and **Jardine Matheson**, both significant positions in a number of the Orbis Funds at 31 December 2021, to show how we developed conviction that both shares traded at a discount to intrinsic value despite facing potentially material ESG risks.

British American Tobacco

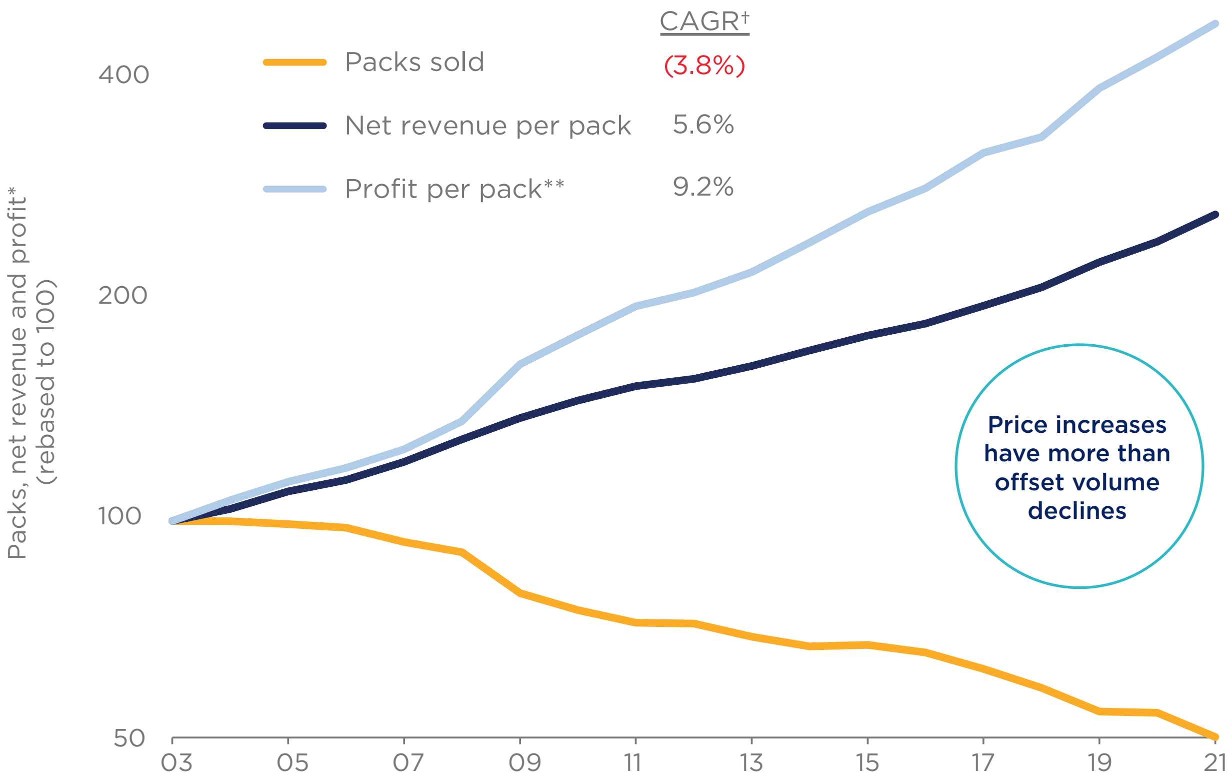
BAT, a leading international tobacco company, was a top-10 position in a number of Orbis Funds at 31 December 2021. Many investors, including a number of our clients, have a strong preference for excluding tobacco companies from their portfolios. We acknowledge and respect these views.

Our intention in setting out our rationale for investing in BAT is not to try to change those views, but rather to explain how this investment is consistent with our approach of integrating ESG factors into our assessment of intrinsic value, and thus into our investment decisions.

It is critical to consider the impact on public health of smoking cigarettes when evaluating a tobacco company. For 60 years, declining smoking rates have been a significant success for public health. We support the measures that made this possible—including higher taxes, age restrictions, advertising bans and plain packaging—and we both expect and welcome further declines. Perhaps counterintuitively, many of these measures have helped to improve the economics of the tobacco industry. Advertising bans and plain packaging both stifle competition, while the industry's unique taxation structure—where up to 90% of the price of a cigarette could be tax—means that a tiny price increase for the consumer can result in a large increase in BAT's revenues.

BAT: Analysis of ESG factors

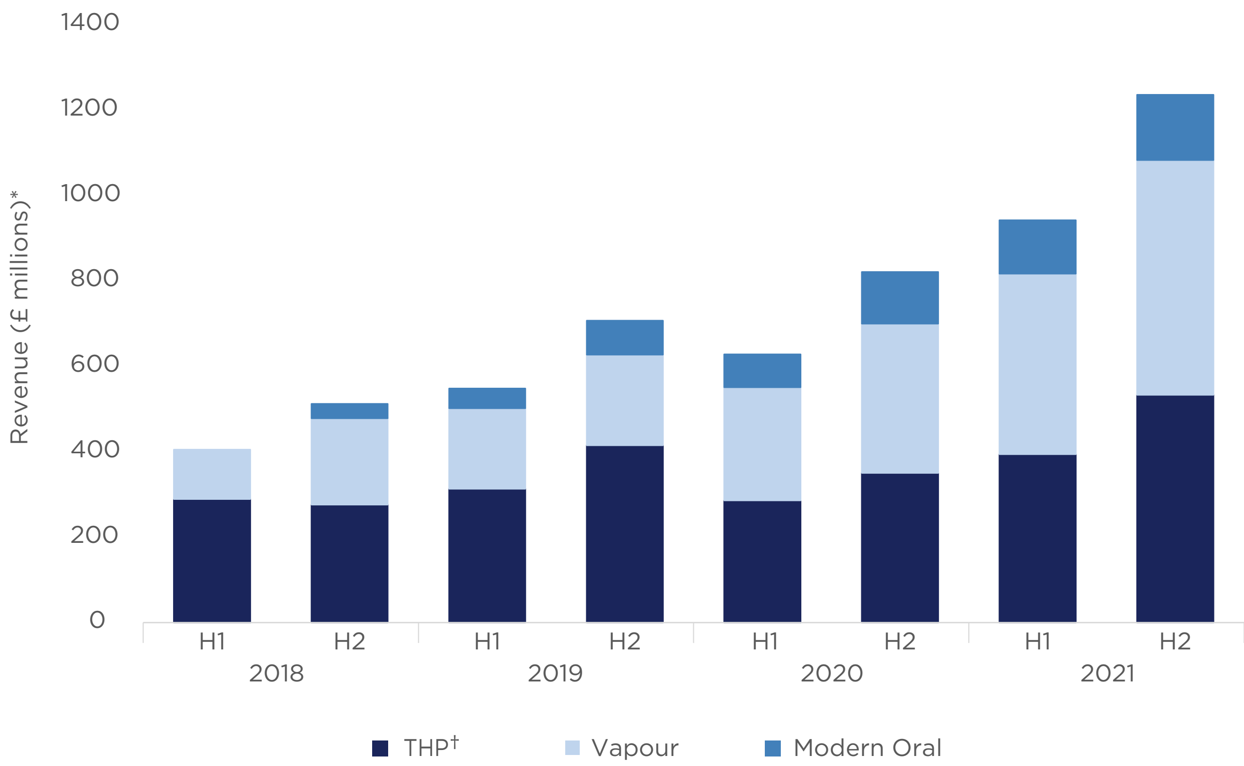
As shown in the following chart, higher prices have more than offset the impact of declining volumes, resulting in consistent growth in free cash flow for tobacco companies.



Source: Capital IQ, Goldman, Sachs & Co. †Compound annual growth rate from 31 December 2003 to 31 December 2021. *Packs, net revenue and profit use Altria's smokeable segment data, per annum, as a proxy for the industry. **Operating profit per pack.

This evidence informs our view that many actions taken by governments and regulators in the public interest are surprisingly aligned with the interests of the tobacco industry and its shareholders. Indeed, the alternative approach of a complete ban on smoking would likely be more harmful for public health than stringent regulations and imposing high taxes on the product. The experience of South Africa in 2020, where the government banned the sale of cigarettes at the height of the Covid-19 pandemic, was that unregulated supply met continued demand. Not only does this result in a substantial loss of tax revenues, but it also forces the market into channels that care little for whether a prospective purchaser is underage. We consider the existing approach of managed decline to be the best option available to governments and therefore expect it to prove sustainable. Eventually this should succeed in pushing cigarette volumes to zero, but this is likely to be a slow and steady process.

Recent years have seen rapid growth in sales of "next generation products" (NGPs), including e-cigarettes and tobacco heated products, which are significantly less harmful than cigarettes. This remains a nascent business for BAT: combustibles accounted for more than 80% of its revenue in 2021. But having made meaningful and, in our view, sensible investments in this area over the last few years, revenues from NGPs continue to grow, and the company has strong market positions in all of the major categories, as shown in the chart and table below. We believe that in most instances converting smokers to these products is now likely to be financially attractive for BAT over the long term.



Source: Company data. *2021 constant currency revenue. †Tobacco heated product

The potential for NGPs to reduce the harm caused by tobacco comes not just from converting existing smokers, but also from enabling those adults who choose to experiment with nicotine to do so via less harmful products. This way, many of the next generation of "would-be smokers" never become smokers at all. This brings inevitable conflict because producing a product that appeals to would-be smokers risks appealing to those that wouldn't have smoked otherwise. Given the dramatic reduction in harm caused by using NGPs relative to smoking, we believe that as long as the products are responsibly marketed and overall nicotine initiation does not increase dramatically, this will lead to a very significant reduction in overall harm.

A recent example of a company getting this balance wrong is Juul, the owner of a vaping product that was widely adopted by US teenagers until a justified regulatory backlash. By contrast, BAT appears to have been more responsible in its marketing of competing products, and has not suffered from the same underage use problem. In our meetings with the company's management and board, we have urged management to take a cautious approach towards marketing. This area has a significant bearing on our assessment of intrinsic value and is a focus for our ongoing engagement efforts with the company, as discussed in the Engagements section of this report.

BAT: Integrating this analysis into our investment decisions

Our forecasts for BAT's fundamentals reflect the above considerations. We expect the industry's favourable economics to persist for many years yet, enabling the company to continue to grow its profits and cash flows despite further declines in smoking rates. At 31 December 2021, we found the valuation of shares in BAT—8 times next year's earnings and a dividend yield of 8%—very striking given our expectation for the company not just to sustain but to grow its earnings and dividend over our investment horizon.

Accordingly, we felt the stock could deliver double-digit returns to shareholders even in the absence of a valuation re-rating. Of course, there is nothing to stop it trading at a yet more depressed valuation, especially given the increased spotlight on ESG considerations. Yet we estimate that the stock would need to trade at less than 5 times earnings at the end of our five-year forecasting horizon for the shares to generate a negative return during the intervening period. This represents a substantial margin of safety, especially at a time when equity valuations are high—something that causes us to be cautious about prospective absolute returns from global stockmarkets.

We also see a couple of sources of potential upside. For example, as of 31 December 2021 we don't believe investors paid anything for BAT's NGP business despite its increasingly strong competitive position and evidence of improving profitability following years of investment. If this success continues, it would not only act as a tailwind for the company's overall profitability, but a bigger proportion of those profits would come from products that might be seen to justify a higher valuation.

BAT has a strong position in NGPs, which may ultimately be less disruptive than feared

	Segment (key product)	Market position†	Volume growth (1Y)^	Profit margin** vs. combustibles
	Combustibles (Dunhill)	#2	(0.3%)	-
	Traditional oral (Grizzly)	#2	(4%)	Similar
NGPs	**Modern oral** (Velo)	#1	71%	Higher
NGPs	**THP*** (Glo)	#2	79%	Higher
NGPs	**Vapour** (Vuse)	#1	56%	Lower

Source: Company data. *Tobacco heated product. †Global market share ex-China and, in the case of Vapour and Modern Oral, ex-US. ^Volume growth from 2020 to 2021. **Gross margin per consumable.

BAT has also now reached its target leverage range after years of investing in NGPs and repaying debt used to fund its acquisition of Reynolds, putting it in a position to restart meaningful share buybacks. Given our belief that shares in BAT trade at a meaningful discount to intrinsic value, buybacks would add significant value for shareholders, and may also mitigate the risk of a further de-rating in the valuation multiple.

Position sizing reflects each stock's risk-adjusted return potential, its attractiveness relative to other ideas and portfolio-level considerations. In the case of BAT, after carefully considering the ESG-related risks, we found its risk-adjusted return potential very attractive relative to other ideas at 31 December. It didn't have the highest expected return, but the combination of a low valuation and strong economics provided a strong margin of safety in our view, with the risks likely skewed to the upside. Furthermore, its low economic sensitivity was an attractive characteristic from a portfolio-level perspective, given the bias of some of our other stock selections to more cyclical shares. For these reasons BAT was the largest position in the Orbis Global Equity Strategy at the end of 2021.

Jardine Matheson

Jardine Matheson is a Bermuda-domiciled company headquartered in Hong Kong with a history dating back to 1832. Controlled by the Keswick family, descendants of the company's co-founder, "Jardines" is a conglomerate whose three largest underlying investments by market value are its stakes in the following publicly-listed companies:

- **Dairy Farm International**, a multi-format retailer including drugstores, grocery chains, 7-Eleven convenience stores, casual dining, and home furnishings (Ikea).
- **Hongkong Land**, Hong Kong's dominant landlord of prime offices in Central district, with a growing luxury residential development portfolio in mainland China and South East Asia.
- **Astra International**, Indonesia's largest conglomerate, present in virtually all sectors of its economy.

Of all the holdings in the Orbis Global Equity Strategy at 31 December 2021, Jardines had the highest ESG Risk Rating from Sustainalytics. It was one of only two portfolio companies rated in the "Severe" category from an ESG risk perspective, the other being Astra International, which the Orbis Global Equity Strategy also invested in directly.

Broadly speaking, the ESG factors we consider most material to Jardines' intrinsic value fall into two categories: those related to its ownership structure and corporate governance; and those stemming from certain business activities at Astra International.

Jardines: Analysis of ESG factors

Ownership structure and corporate governance

One aspect of corporate governance at Jardines that does not conform to best practice codes is the independence of its board. Company executives form the majority of its 11 directors. Furthermore, only three of the five non-executive directors are truly independent, as the other two are former company executives.

We view director independence as being critical to effective corporate governance, as part of a board's core oversight function is to provide objective independent judgement that represents the interests of all shareholders. But when a company has a controlling shareholder—as is fairly common for founding families and entrepreneurs at emerging markets companies—we believe the most important consideration is to understand the intent and credibility of these stewards. In the case of Jardines, the Keswick family has a long track record of responsible and fair dealings both in running its underlying businesses and in its treatment of minority shareholders.

From a business perspective, Jardines' longstanding partnerships via joint ventures and licensing agreements with companies such as 7-Eleven, Ikea, Schindler, Mercedes Benz and Yum! Brands provide evidence that it is often seen as a partner of choice amongst leading Fortune 500 companies looking to invest in Asia.

Ownership structure and corporate governance (continued)

The Keswick family's economic stake of around 40% also creates a strong alignment of interests with long-term shareholders. This alignment extends to senior management, including executive board members. Under a unique partnership-type incentive structure, they receive dividends from a family trust that owns shares in Jardines. These distributions have made up the vast majority of directors' total aggregate remuneration in recent years.

In 2021, the company took a landmark step to better balance the interests of all shareholders by completing a corporate restructuring to collapse a circular crossholding structure that previously gave absolute control to the Keswick family despite its smaller economic interest. That's not to say we don't see further room for improvements in the form of greater board independence and the appointment of female directors. The company is aiming to achieve this first in its key listed subsidiaries, which we view positively.

Astra International

Around 30% of Jardines' profits come from Astra, which in turn derives approximately 30% of its profits from its near-60% stake in United Tractors, a diversified mining services business. United Tractors is the largest coal mining contractor in Indonesia, operating coal mines on behalf of mine owners. It also owns stakes in some small coal mines.

After engaging with both Jardines and Astra on this topic, we believe Astra feels a strong sense of responsibility to help provide universal access to energy in Indonesia. Doing so is currently impossible without coal, which accounts for 50% of the country's electricity generation capacity (another 25% comes from gas). The company can also play a key role in enabling the Indonesian government to meet the challenge of making meaningful progress by 2030 towards the United Nations' sustainable development goal of ensuring access to affordable, reliable, sustainable and modern energy for all, and to do so in a manner consistent with the objectives of the Paris Agreement. By using its strong balance sheet to invest in renewable energy projects, Astra is helping to alleviate current constraints on the viability of renewables that make it neither practical nor responsible to reduce Indonesia's current reliance on coal. In this way, we believe Astra can be an important part of the solution to this complex problem. United Tractors has committed not to invest in new coal mines or to expand capacity at its existing coal mines.

Astra also holds a controlling interest in Astra Agro Lestari (AAL), a company that owns and operates palm plantations in Indonesia. In the past, AAL's deforestation practices have caused serious environmental damage, but we believe it now conducts its operations in a sustainable manner. It meets local regulatory standards in that regard. While it is yet to apply for the international Roundtable on Sustainable Palm Oil (RSPO) certification, it has engaged with its major customers, many of whom are RSPO-certified and therefore need to sign off on the standards of their suppliers. It has also implemented changes to meet the expectations of independent third parties, such as Norway's sovereign wealth fund, with which it has engaged closely during a period of observation lasting for several years.

Given its stringent business practices around land acquisition, AAL has struggled to reinvest in its business and continues to be run as a cash cow.

ESG ratings and external disclosure

In essence, Sustainalytics' ESG Risk Rating is a function of its assessment of a company's exposure to ESG risks (arising from factors such as the nature of its corporate structure, its business activities, and any past involvement in controversies) and of how effectively the company manages these risks.

Largely due to the fact that it is an industrial conglomerate, Jardines has an above-average exposure to ESG risks, in Sustainalytics' view. But its poor ESG Risk Rating was mostly the result of how (in)effectively Sustainalytics believed the company managed these risks. Sustainalytics forms this view based on available disclosure. It therefore penalises Jardines for not disclosing certain policies, such as a policy on political contributions even though evidence suggests the company does not make such contributions.

When we discussed this topic in meetings with executives from Jardines in early 2022, they explained that the company has only recently made it a priority to improve its public disclosures in this area, including publishing its first sustainability report in mid–2022. Given our view that part of the company's culture is to follow responsible business practices, we see significant potential for its ESG ratings from Sustainalytics and other such providers to improve if it can execute successfully on these plans.

The analysis within the Climate Change section of this report shows that Jardines is a notable outlier among high-emitting investee companies held in the Orbis Global Equity Strategy when it comes to climate-related disclosures. In our recent meetings, company executives acknowledged the importance of this issue, and explained that the company intends to disclose additional information in the sustainability report to be published in mid–2022.

Jardine Matheson: Integrating this analysis into our investment decisions

Our approach to ESG integration requires us to weigh up potentially material ESG issues with other relevant factors in forming a holistic view of a company's intrinsic value.

When doing so for Jardines, we view the company's ownership structure as something that on balance is likely to support rather than inhibit long-term growth in intrinsic value. Under the stewardship of the Keswick family and an aligned management team, Jardines has a track record of delivering long-term value for its shareholders through astute capital allocation. This includes making counter-cyclical investments that have helped it to navigate difficult environments successfully, often emerging stronger as a result.

Our forecasts of Astra's fundamentals assume profits from coal mines fall significantly over our investment horizon, while those renewable energy projects increase. This shift has the potential to improve Astra's valuation multiple, and therefore its intrinsic value and that of Jardines.

Profits from palm oil are already immaterial even for Astra International (let alone Jardines) but like other controversial issues, this can have a disproportionately large impact on the share price via the valuation multiple. For this reason, and the fact that engaging on this topic is the responsible thing to do, we continue to encourage Jardines and Astra International to use their influence to ensure that AAL operates in a sustainable manner, even if that means giving up short-term profits.

At 31 December 2021, shares in Jardines traded at around 10 times our analyst's estimate of the company's 2022 cyclically-depressed earnings for 2022, a significant discount to the average global and emerging market stock. If anything, we believe the company's underlying businesses are of above-average quality and can grow at an above-average rate over our investment horizon, supported by capital allocation decisions by Jardines. As such, we believed the ESG risks are more than discounted in its share price at that date. Indeed, we see upside potential if investors take a more favourable view of these risks in time—for instance, because Jardines discloses additional information—although our investment thesis is not predicated on it.

Our approach

Climate change is a problem that requires a huge effort from us all. For investment managers, it brings risks, opportunities and responsibilities. At Orbis we support the objective, set out in the Paris Agreement, to hold the increase in the global average temperature to well below 2°C, preferably to 1.5°C, above pre-industrial levels. We are committed to playing our part, both in terms of how we conduct our own operations (see Appendix 3) and the actions we take as stewards of our clients' capital in order to earn their trust and confidence.

Recognising how important it is for our clients to understand how we integrate climate-related risks and opportunities into our investment decision-making process and our role as active owners, we have outlined our approach in a paper that is available in the Investing Responsibly section of our website (orbis.com). In that paper we use case studies to illustrate how we apply our responsible investing principles to climate change. We also set out a series of commitments in recognition of the stewardship role that we play, including using this annual Stewardship Report to share examples of how we have implemented our approach and to discuss how we think about climate-related risks facing investee companies.

One of those commitments is to develop a framework to inform our assessment of high-emitting investee companies' efforts to transition to a low-carbon economy, thereby helping us to identify and prioritise our engagement efforts. We are pleased to share the first iteration of that framework in this report.

As we develop the knowledge and tools to help us learn and improve, we expect our approach to evolve. We also welcome feedback from clients going through a similar learning process and will continue to engage with our clients in order to understand their needs.

Integration into the investment decision-making process

Every analyst independently considers whether climate-related risks and opportunities are relevant to their assessment of a company's intrinsic value. In doing so, they take a broad view that considers the wider industry context and supply chain to evaluate the costs imposed by the company on society. Analysts integrate their analysis of such issues into their bottom-up research. As a result, they may revise their forecasts for a company's long-term fundamentals or adjust the valuation multiple they assume at the end of the investment horizon in recognition of the fact that climate risks extend much further into the future. Before investing, a Policy Group Meeting provides opportunity for rigorous peer review of potentially material climate-related risks and opportunities that the analyst has or hasn't identified.

In these ways, climate-related risks and opportunities can impact our assessment of a company's intrinsic value—and with it our investment decisions, including position sizing—no different from how we integrate other ESG factors into our investment process, as described on page 9 of this report.

Climate-related risks may cause us to reject an investment idea, but we may find opportunities to buy high-emitting companies when investor expectations are low, especially when we believe they can find ways to provide their products and services while producing lower emissions. The transition to a low-carbon economy may also present opportunities for companies, and we may buy stocks when we feel their valuations do not reflect this potential. In forming a view on climate-related matters, we apply our best judgement while recognising that these are complex, nuanced issues, and that we may be proven wrong. We provide examples on pages 11 and 13 of how climate-related considerations impacted our investment decisions in 2021.

Active ownership

Consistent with our view that positive change comes from engaging with problems not isolating from them, we believe that engagement will be more effective than divestment in reducing real-world emissions.

When we believe that a high-emitting investee company is not on an appropriate path towards reducing its emissions, we will engage with company management to form a view on how effectively they are responding to these risks and to share any concerns we may have. We recognise that management is best placed to determine the appropriate steps for a company to take. Our primary objective in these engagements is to improve our understanding of the company, although we may share our perspective when we believe we can contribute to a company's deliberations over its broad strategy.

If our concerns persist, we will consider escalating our engagement efforts and may use our votes at shareholder meetings to express our view that change is needed. If we ultimately conclude that climate-related considerations make an investment's prospective risk-adjusted return less attractive than other ideas, or if we believe that walking away is the most responsible thing to do, we will look to sell the position.

Examining the carbon emissions and intensity of holdings in the Orbis Global Equity Strategy

Just as we need to understand the climate-related exposure of investee companies and their management's response, we recognise that clients need to understand both the climate-related exposures of their portfolios and how their investment managers think about such risks. With this objective in mind, in this section we examine the climate-related exposure of Orbis Global Equity, our largest strategy.

This year we have extended our analysis to the aggregate portfolio level, but we continue to believe the best way for clients to understand our approach is for us to identify the holdings that may have above-average climate risk and then to explain how we think about these risks as part of our bottom-up research at the individual company level. We have used two approaches to identify these companies: weighted average carbon intensity (WACI) and owned emissions.

Greenhouse Gas (GHG) emissions caused by human activities are very likely (90–100% probability) the main driver of the rise in global temperatures.[1] As a result, they are a focal point for governments, regulators, and investors. The GHG Protocol provides a way of examining GHG emissions on a standardised basis by breaking down a company's GHG emissions into three scopes, all of which are measured as carbon dioxide equivalent (CO_2e) emissions.

- Scope 1 emissions are direct emissions from sources owned or controlled by the company. Examples include emissions from combusting natural gas in a boiler, from a company's vehicle fleet or from the manufacturing processes in its factories.
- Scope 2 emissions are indirect emissions from the generation of purchased electricity, steam, heating, or cooling consumed by the company. Examples include electricity purchased from the national grid.
- Scope 3 emissions are all other indirect emissions throughout the company's value chain, both upstream and downstream. Examples include emissions from transporting materials and finished goods, from employee commuting and business travel, and from the end use of sold products. These emissions are complex to calculate and are not widely reported currently.

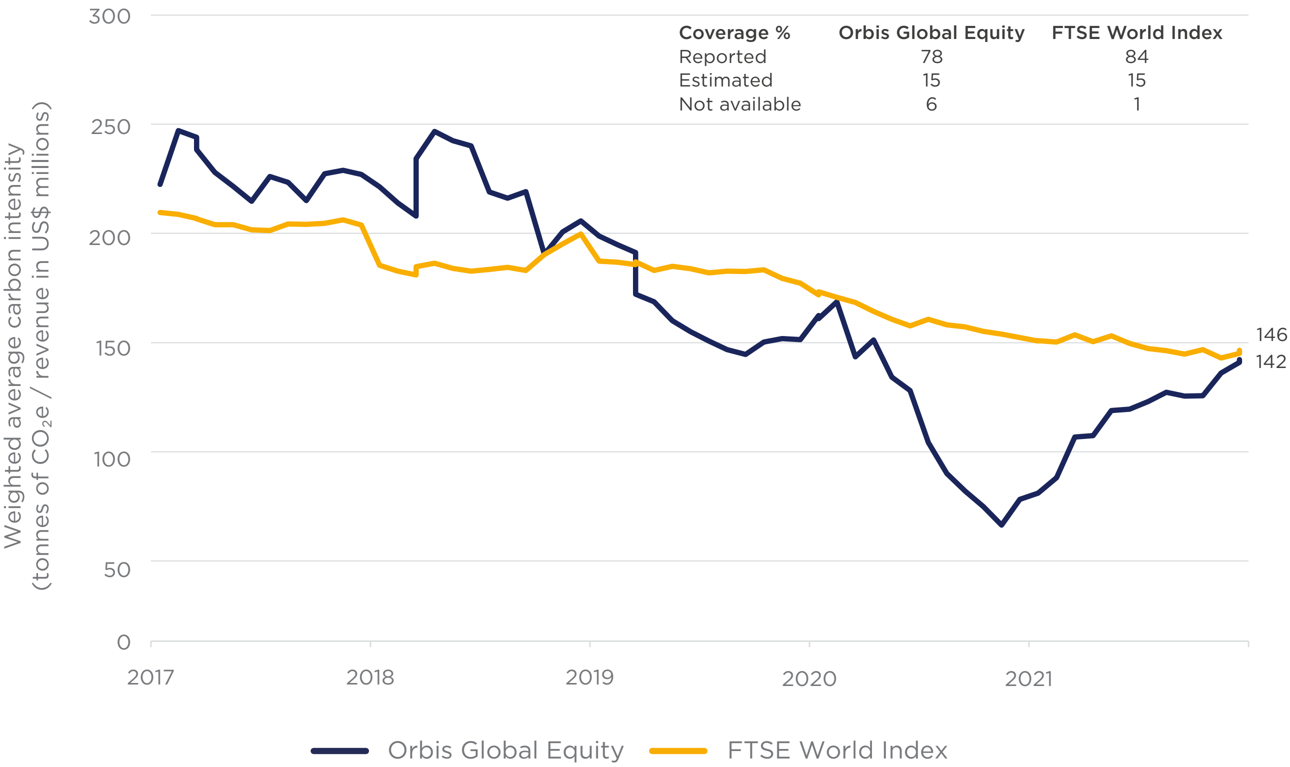
The Task Force on Climate-Related Financial Disclosures (TCFD) recommends Scope 1 and Scope 2 emissions as the minimum level of disclosure by companies.

[1]IPCC, 2021: Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Masson-Delmotte, V., P. Zhai, A. Pirani, S.L. Connors, C. Péan, S. Berger, N. Caud, Y. Chen, L. Goldfarb, M.I. Gomis, M. Huang, K. Leitzell, E. Lonnoy, J.B.R. Matthews, T.K. Maycock, T. Waterfield, O. Yelekçi, R. Yu, and B. Zhou (eds.)]. Cambridge University Press. In Press.

Weighted average carbon intensity (WACI)

All else being equal, a large company with $100bn of revenues will have higher GHG emissions than a smaller peer with $1bn of revenues. The TCFD therefore recommends the disclosure of GHG emissions per unit of output in order to adjust for a company's size. For asset managers, the TCFD identifies WACI (the weighted average of the sum of each individual company's Scope 1 and Scope 2 CO_2e emissions divided by its revenues) as a metric which allows for a more meaningful comparison between companies and investment strategies.

The following chart shows the WACI for a representative account of the Orbis Global Equity Strategy and of the FTSE World Index over time, calculated by multiplying each company's carbon intensity by its weight in the portfolio and index. This measure has several shortcomings, as discussed on the next page, but it provides a crude way of examining the Orbis Global Equity Strategy's exposure to carbon intensive companies, both over time and relative to its investment universe.



Coverage %	Orbis Global Equity	FTSE World Index
Reported	78	84
Estimated	15	15
Not available	6	1

Source: ©2022 S&P Trucost Limited ("Trucost"), an affiliate of S&P Global Market Intelligence. Data is as of 31 December 2021. Excludes holdings which do not have any available data and the portfolio's net current assets (for example, cash and receivables), which means that WACI may be over or understated. Coverage figures may not sum due to rounding. Coverage is as of 31 December 2021. Derived data is considered reported data. The Fund does not have a WACI target and does not aim to have a lower intensity than its benchmark. Uses emissions data and revenue for the financial year ending closest to the reporting date.

WACI (continued)

WACI is calculated as the weighted average of individual company carbon intensities (the sum of Scope 1 and 2 emissions divided by revenue). Each company is weighted by its proportion of the portfolio's net asset value, with weights adjusted to account for companies with missing data and the portfolio's net current assets. The benefit of WACI is that it is applicable across asset classes and can be used for comparison across companies, sectors and portfolios of different sizes. However, it has some obvious shortcomings. It excludes Scope 3 emissions, which we consider in our subsequent analysis of the portfolio's exposure to "High Carbon Impact" sectors, and it may rely on estimates. Looking at emissions per unit of revenues rather than gross profit or another measure of "value added" may favour companies with structurally lower margins. Within industries, it may favour companies with high pricing levels relative to peers. And since revenues are subject to cyclicality, the calculated figures can vary significantly year on year.

While we typically prefer to use other metrics to assess a high-emitting company's emission reduction plans, we recognise that WACI can play a useful role in identifying those high emitters in the first place.

Reflecting the fact that the Orbis Global Equity Strategy holds a highly concentrated portfolio of stocks, its WACI has been more volatile than that of the FTSE World Index over the past 5 years. The portfolio's WACI is the output of our bottom-up decisions and not something we actively target. Accordingly, we expect it to fluctuate depending on valuations on offer in the market. Indeed, a small number of key changes in the portfolio's holdings in some high-emitting companies have driven the bigger recent movements in its WACI:

- In 2019 and 2020 we reduced and eventually eliminated the position in **Korea Electric Power Corporation**, due in part to a loss of confidence in management's ability to make a meaningful and rapid transition to low-carbon sources of energy. This caused the portfolio's WACI to decline.

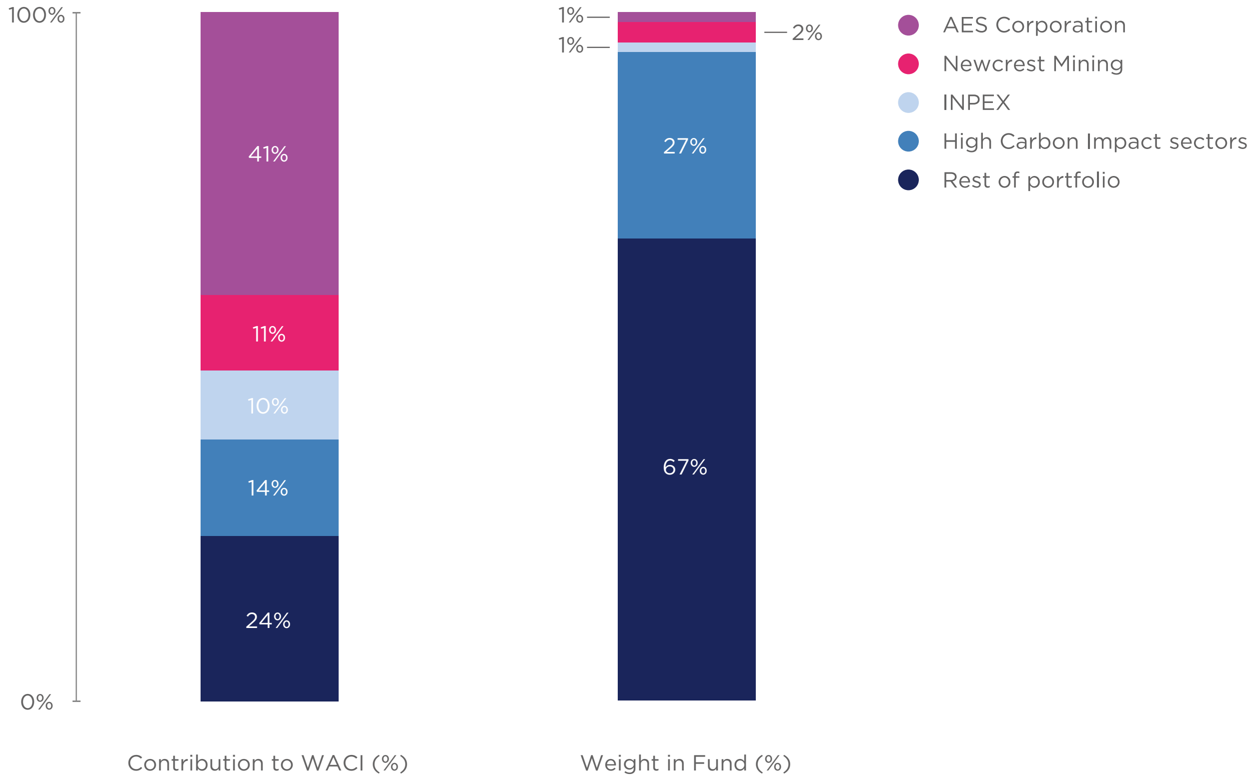
- In 2021 we established a small position in **AES Corporation**, a global independent power producer based in the US whose emissions are high but falling as it transitions to renewable sources of energy—a process it started a decade ago. By changing its energy mix, we believe AES is well positioned to take advantage of opportunities related to the transition to a low-carbon economy. We therefore do not view the resultant increase in the portfolio's WACI as a bad thing. We have included more of our thinking on AES below.

One way of stripping out the effect of changes in the portfolio's holdings is to calculate the WACI for the 31 December 2021 portfolio one year earlier, holding everything other than the carbon intensity of the underlying holdings constant. On this like-for-like basis, the portfolio's WACI declined from 146 to 142 in the 12 months to 31 December 2021, broadly in line with the reduction in the WACI of the FTSE World Index.

Portfolio-level disclosures can mask significant differences at the individual company level. We therefore consider it critical to dig beneath the surface and examine which holdings (or groups of holdings) make the biggest contributions to the carbon intensity of the portfolio. Doing so serves as a useful starting point in identifying which stocks may have greater exposure to climate-related risks and therefore require closer scrutiny.

WACI (continued)

The next chart breaks down the Orbis Global Equity Strategy's WACI into three groups: those stocks which individually contribute more than 10% of the total; other stocks in High Carbon Impact sectors[2]; and the rest of the portfolio:



Data is for a representative account for the Strategy. Source: ©2022 S&P Trucost Limited ("Trucost"), an affiliate of S&P Global Market Intelligence. Data is as of 31 December 2021. Excludes holdings which do not have any available data and the portfolio's net current assets (for example, cash and receivables) are not included, which means that carbon intensity may be over or understated. The Fund does not have a WACI target and does not aim to have a lower WACI than its benchmark. Uses emissions data and revenue for the financial year ending closest to the reporting date.

AES, **Newcrest Mining** and **INPEX** were the only stocks that individually contributed more than 10% of the total WACI. In aggregate, they accounted for more than 60% of the portfolio's carbon intensity at 31 December 2021 despite only having a combined weighting of around 5% of net asset value. This indicates that these companies may face material transition risk. We discuss below how we think about the climate-related risks facing each of these companies, starting on page 29.

[2]High Carbon Impact sectors are those companies which fall into one of the Transition Pathway Initiative's high impact sectors, all companies in the Banks and Real Estate GICS sectors, and any other Climate Action 100+ focus company. This definition aligns with that used by the Net Zero Investment Framework.

Owned emissions

Another way to assess which holdings may have the greatest exposure to transition risk is to examine the absolute level of emissions essentially "owned" by the portfolio. For instance, if the portfolio holds 1% of a company, it owns 1% of its Scope 1 and 2 emissions.[3] Since it is absolute emissions that need to fall to have a real-world impact on climate change, this approach allows us to identify where the portfolio's owned emissions are concentrated. Incorporating this additional perspective also helps to overcome some of the limitations of WACI discussed elsewhere.

Using data from S&P Trucost, the total emissions attributable to the Orbis Global Equity Strategy's portfolio at 31 December 2021 were around 87,000 tonnes of CO_2e.[4] **AES Corporation** accounted for 29% of the total, with **INPEX** and **Newcrest Mining** contributing another 9% and 6%, respectively. The only other holdings to contribute more than 5% were a transportation stock where the position had been reduced significantly by 31 March 2022, and **XPO Logistics** and **Howmet Aerospace**, whose last reported emissions in S&P Trucost are overstated because, for both stocks, they included those of companies that have since been spun off separately (**GXO Logistics** and **Arconic Corporation**, respectively).

Having used two approaches to identify high-emitting companies that may be most exposed to transition risk, we focus the following company-level analysis on AES Corporation, Newcrest Mining and INPEX, the three holdings that accounted for 60% of the Orbis Global Equity Strategy's WACI and 45% of its owned emissions at 31 December 2021.

Given the importance of reducing real-world emissions, we also discuss two semiconductor manufacturers—**Samsung Electronics** and **Taiwan Semiconductor Manufacturing (TSMC)**—that stand out as the highest emitters among Orbis Global Equity's top 20 holdings on an absolute basis (see Appendix 4), even though the Strategy's small ownership stake in each company meant that neither accounted for a high proportion of its WACI or owned emissions.

[3]More precisely, for each company in the representative account, we calculate owned emissions as the value of the portfolio's holding at the reporting date as a proportion of its enterprise value including cash (EVIC) at the end of its last fiscal year multiplied by the company's Scope 1 and 2 emissions.
[4]The sum of the owned emissions for each company held by the representative account as of 31 December 2021. At that date the representative account had a net asset value of $1.8bn, implying owned emissions of around 50 tonnes of CO_2e per $1m invested. Holdings which do not have any available data and Fund net current assets (e.g., cash and receivables) are not included, which means that total fund emissions may be over or understated. Uses emissions data and revenues for the financial year ending closest to the reporting date.

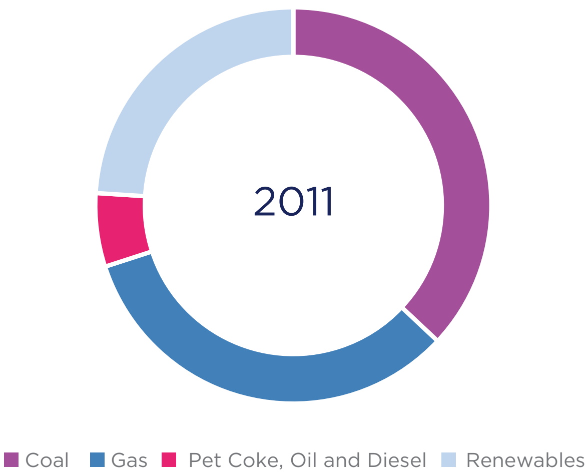
Stock-level comments

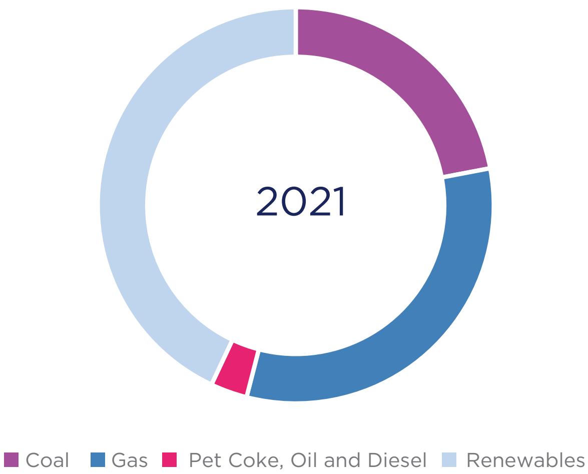
AES Corporation

AES is a global independent power producer and utility company based in the US. It operates in 14 countries and while renewables accounted for 33% of its power generation capacity in 2020, the majority was produced from natural gas (37%) or coal (30%). Burning these fossil fuels to generate electricity also produced the Scope 1 emissions that caused it to be the biggest contributor by some distance to the Orbis Global Equity Strategy's carbon intensity.

According to the International Energy Agency, the electricity sector is set to experience a significant increase in demand, due to electrification and hydrogen production, and needs to transform the way it produces electricity in order to make the transition from being the single largest source (36%) of energy-related emissions in 2020 to net emissions of zero by 2040.[5]

AES has already undergone a decade-long transformation from coal-based power generation to renewables. During that time the company has expanded its renewables portfolio (adding 10 GW of such capacity[6]) and sold or retired high-emitting assets (removing more than 10 GW of coal generation capacity). More recently, this transition has gathered pace—renewables were 43% of its 2021 capacity, with coal's share falling to 22%—and AES has committed to exiting coal-fired power generation fully by 2025.





Source: Orbis and company reported information. Data is based on nameplate capacity as reported.

In early 2022, the company's 59 GW pipeline of renewable energy developments was the second largest in the US after NextEra Energy. It also owned a stake in Fluence, a leading installer of grid-scale energy storage (in competition with Tesla), that started as a joint venture between AES and Siemens. By fixing renewables' inherent problem of intermittency, such technology is key to enabling them to be deployed at scale—not only by AES but also by its own commercial and industrial customers.

[5]IEA (2021), Net Zero by 2050, IEA, Paris.
[6]Enough to power 166 million 60W light bulbs, or ten mid-sized cities, according to Bill Gates' book, How to Avoid a Climate Disaster.

AES Corporation (continued)

This leadership in renewables and energy storage has attracted large, multinational clients such as Google, which in 2019 signed a 10-year strategic partnership with AES to meet its clean energy objectives. With other blue-chip customers pursuing the same goals, we believe AES is well placed to meet its target of signing 3-4 GW of renewables contracts per year through to 2025, and it exceeded these targets in 2021. In a further sign of its commitment to continue its transition to renewable power generation, AES has set a goal to reduce its Scope 1 emissions intensity (metric tonnes of CO_2e per megawatt hour) by 75% in 2030 compared to a 2016 baseline.[7] This target implies an annual linear reduction in emissions of 5.4%, putting the company on a pathway consistent with the goals of the Paris Agreement. While this target was not independently verified, AES made a public commitment in 2020 to set a near-term target aligned with the criteria of the Science Based Targets Initiative within 24 months.[8] It also plans to achieve zero net carbon emissions from electricity sales by 2040 and has committed to zero net emissions (across Scope 1, 2 and 3) by 2050. So far, AES appears to be on track to achieve at least its 2030 goal: its Scope 1 emissions were 40% lower in 2020 than in 2016.

AES' strategy is reliant on continued declines in the cost of solar and wind power generation, and in battery-based energy storage. If these cost declines do not emerge, its product offering may not be as relevant. In addition, its exposure to natural gas power generation may face transition risk in the longer term. After considering these risks, we still expect the company to continue to grow its profits over our investment horizon and beyond, while continuing its transformation into a clean energy company.

In our view, its 31 December 2021 share price did not reflect this growth potential or the value of its stake in Fluence and other renewable energy ventures. This may have been due in part to investors excluding the company from their investment universe because a material portion of its profits came from coal-fired power generation. By 2025, we expect this to have fallen to zero and for renewables to provide 55-60% (and rising) of profits. With AES trading in early 2022 on an earnings multiple around half that of clean energy companies such as NextEra Energy, we see the potential for a valuation re-rating if investors change their perception of the company.

Newcrest Mining

Newcrest is an Australian-based gold and copper miner. The world's seventh-largest gold miner, it operates mines in Australia, Papua New Guinea, and Canada. Around 70% of its total production comes from two mines: Cadia (New South Wales, Australia) and Lihir (Papua New Guinea). Mining operations are energy intensive. In Newcrest's case, its high carbon intensity results from both the Scope 1 emissions produced when generating electricity at its remote locations and the Scope 2 emissions associated with electricity purchased from the grid.

Newcrest's management acknowledges climate change as a material risk to the business and is implementing plans to address it based on the company's Climate Change Policy. In the short term, Newcrest expects to continue to rely on fossil fuels, but it has set a goal of zero net carbon emissions (Scope 1 and 2) by 2050. The company has also committed to reduce the carbon intensity of its production—measured as Scope 1 and 2 emissions per tonne of gold ore milled—by 30% in 2030 from a 2018 baseline.

[7] AES' Scope 1 emissions accounted for more than 99% of its combined Scope 1 and 2 emissions in 2019.
[8] For more information on the Science Based Targets Initiative, see https://sciencebasedtargets.org/.

Newcrest Mining (continued)

Over 80% of Newcrest's GHG emissions are associated with the supply of electricity. To achieve its goals, the company is therefore focusing on switching to renewable electricity sources and improving energy efficiency.

At Cadia, which accounts for over 40% of its total GHG emissions, electricity is currently sourced from the local electricity grid. Although Newcrest expects the electricity grid in New South Wales to decarbonise, it has also signed a 15-year renewable Power Purchase Agreement with a local wind farm developer. Newcrest expects that the wind farm will meet more than 40% of the Cadia mine's projected energy demand from 2024, and that, combined with the decarbonised electricity grid, it will reduce overall emissions by about 20%. This will contribute significantly towards achieving its 2030 goal, despite its 2021 carbon intensity (32 kg CO_2e/tonne of ore milled) being above that of its base year (29 kg CO_2e/tonne of ore milled). All of Newcrest's other operating sites also have multi-year GHG management plans, and the company uses a shadow internal carbon price to assess its climate-related risks.

Newcrest believes that the GHG emissions intensity of its production is lower than that of the broader gold mining sector, as estimated by the World Gold Council, and we do not expect the above actions to have a material impact on the cost of its gold production or the competitiveness of the company. This is important because Newcrest's low-cost operations underpinned our view that its shares' risk-reward profile compared very favourably with other opportunities globally at 31 December 2021.

We continue to monitor the climate-related risks at Newcrest. For example, decarbonisation at Lihir remains a challenge, and the company is investing in short-term energy efficiency options including using Battery Energy Storage Systems to store surplus energy when it is not required and to discharge it when needed. Newcrest also faces stranded asset risk due its long reserve life (more than 20 years), compounded by the fact that gold is less essential to the world's economic development than other commodities.

INPEX

INPEX is Japan's largest oil and gas company with a global portfolio of assets involved in the exploration, development and production of oil and natural gas. Such activities are carbon intensive, with related Scope 1 and 2 emissions accounting for about 10% of global GHG emissions, even before considering emissions from burning the fuels. INPEX's Scope 1 emissions account for more than 99% of its Scope 1 and 2 emissions, and are therefore the driver of the company being a leading contributor to the Orbis Global Equity Strategy's carbon intensity.

By assisting Japan's transition to a net zero carbon society, INPEX can not only play its part in what it views as a critical mission, but it can also mitigate the stranded asset risk it faces as an upstream energy producer. The bulk of the company's earnings and cashflows come from its 66% stake in the Ichthys project, one of the world's largest liquefied natural gas (LNG) projects, located offshore Western Australia and producing 8.9 million tonnes of LNG per year.

Even before the energy crisis resulting from Russia's invasion of Ukraine, LNG had relatively good demand growth prospects compared to traditional oil, with Asian demand expected to remain resilient for at least the next couple of decades thanks to LNG's lower carbon intensity. As a result, we believe INPEX faces comparatively low stranded asset risk from a decline in demand for conventional hydrocarbons.

INPEX (continued)

Similar to AES, over the past few years INPEX has focused on transforming its energy structure—moving away from oil and towards natural gas, which accounted for just over 40% of the company's net production in 2020 and the majority of its earnings. In January 2021, INPEX announced its plans to reach zero net emissions by 2050 and to reduce its net carbon intensity by 30% or more by 2030 compared with 2019 levels. The roadmap to achieve this includes plans to reduce emissions from natural gas projects via carbon capture, utilisation, and storage (CCUS) as well as strengthening renewable energy initiatives (wind and geothermal power). In total, management has identified five net zero businesses in addition to its oil and gas business. It plans to invest up to an aggregate of ¥1trn (US$8.7bn) in these areas over the next eight years, with the aim for them to generate about 10% of INPEX's operating cash flow by 2030.

While LNG can play an important role in reducing global emissions over the next couple of decades, such assets may become stranded over the very long term. INPEX has made no public explicit target to reduce its Scope 3 emissions other than aiming for a general reduction. Management does however acknowledge the need to work more with its predominantly Japanese utility company customers in this regard and in 2021 the company started sales of carbon-neutral LNG shipments.[9]

We factor these risks into our estimate of INPEX's intrinsic value mainly via the historically discounted valuation multiple that we apply to our estimate of the company's normalised earnings power. Its share price traded well below our assessment of intrinsic value at 31 December 2021.

The changing environment and the need for management to invest in decarbonisation initiatives also raises capital allocation risk. We are nonetheless encouraged by recent steps such as the use of an internal carbon price to ensure management factors in the need for lower carbon emissions when considering large-scale new projects, such as incorporating CCUS into assessing the economic feasibility of the Abadi LNG project in Indonesia. Since the Abadi project could last for decades after its targeted start-up in the early 2030s, it is critical that management takes such steps to improve the future resiliency of INPEX's portfolio.

Semiconductor Manufacturers (TSMC and Samsung Electronics)

The majority of both TSMC's and Samsung Electronics' high absolute carbon emissions result from Scope 2 emissions produced to generate electricity purchased by their semiconductor manufacturing businesses.

A semiconductor (also known as a chip) is a material that conducts electricity. Chips are used in thousands of electronic products worldwide and are key to achieving many technological advancements. However, producing them requires significant amounts of electricity. A 2020 Harvard study found that "chip manufacturing, as opposed to hardware use and energy consumption, accounts for most of the carbon output attributable to hardware systems".[10] As demand for chips has increased, so has the carbon footprint of chip manufacturers.

When assessing the carbon footprints of these companies, it is important to take a broad perspective because chip technology helps to produce energy efficient products that save energy over their lifecycle. TSMC uses a model from the Industrial Technology Research Institute to estimate that electronic products using semiconductors at their core will conserve around 11% of global energy in 2030.

[9]Carbon-neutral LNG shipments have the entire carbon footprint of shipment offset using carbon credits.
[10]U. Gupta et al. (2021), Chasing Carbon: The Elusive Environmental Footprint of Computing, in Proceedings of the IEEE International Symposium on High-Performance Computer Architecture.

TSMC and Samsung Electronics (continued)

We believe that differences in the companies' business models are the main reason why TSMC's carbon intensity is much higher than Samsung's. TSMC is a standalone chip manufacturer. This means it is misleading to calculate the company's carbon intensity by comparing its Scope 1 and 2 GHG emissions with its own revenues because doing so excludes the revenues and (low) emissions of its direct customers, who outsource manufacturing. In turn, TSMC's customers' chips power high-end devices such as smartphones, whose revenue pool is much larger. By contrast, Samsung is an integrated electronics manufacturer whose reported emissions and revenues better capture its entire value chain.

TSMC has a target for renewables to account for 40% of its total energy by 2030 and 100% by 2050, compared with the current level of 7%. To work towards achieving this goal, it has signed agreements with Ørsted and WPD to purchase wind power in Taiwan (the former being the largest-ever contract of its kind for renewable energy). The company also recently announced that it will spend 1–2% of its annual revenue on initiatives to achieve zero net emissions by 2050. It also has a near-term goal to reduce GHG emissions per unit product (tonnes of CO_2e per 12-inch wafer mask layer) by 40% in 2030 compared to its 2010 base year. On this basis, TSMC's carbon intensity in 2020 (0.0165 tonnes of CO_2e per 12-inch wafer mask layer) was 23% lower than in 2010, getting it more than halfway towards this target.

Samsung also sources more of its electricity from renewables than in the past. All of its worksites in the US, Europe and China became fully powered by renewables in 2020 (including the use of renewable energy certificates), and it has also installed solar and geothermal facilities in South Korea. These efforts have helped the company to keep its Scope 1 and 2 emissions flat from 2018 to 2020 despite expanding capacity, while its memory peers Micron and SK Hynix reported significant growth in such emissions during the same period. Samsung has yet to announce new emissions reductions targets after its 2020 target expired, making it an outlier among the Orbis Global Equity Strategy's significant holdings in "High Carbon Impact" sectors, as shown in the table on page 36. We keenly await more information, which we expect to be aligned with South Korea's goal to achieve net zero carbon emissions by 2050.

Electricity costs do not account for a significant proportion of either company's total production costs. We therefore do not expect the above changes to have a material impact on their intrinsic value even if they cannot pass the increased costs on to customers. On balance, we believe that both companies can mitigate climate-related risks by reducing their emissions through energy efficient solutions such as those discussed above.

The Orbis Global Equity Strategy’s exposure to High Carbon Impact sectors

An important blind spot in the above analysis is that it only considers Scope 1 and 2 emissions. For some companies, Scope 3 emissions can account for a substantial part of their overall emissions. For example, Carbon Trust estimates that Scope 3 emissions can account for up to 90% of the total carbon impact of a company.[11]

Scope 3 emissions are significantly concentrated within a few sectors, usually those with direct or indirect exposure to primary energy supply and generation. To ensure that we have adequately considered such emissions despite their limited disclosure, we have taken a sector-based approach in the table below. In it, we identify the above–1% holdings of a representative account for the Orbis Global Equity Strategy that fall within High Carbon Impact sectors, as defined at the bottom of page 27, together with the aggregate exposure to each sector of the portfolio and FTSE World Index.

	Sector	Orbis Global Equity (%)	FTSE World Index (%)
Transition Pathway Initiative (TPI)	**Other Industrials**	**7.4**	**8.8**
	Howmet Aerospace	2.6	
	Samsung Electronics	2.0	
	Rolls-Royce Holdings	1.1	
	Coal Mining	**3.8**	**1.7**
	Jardine Matheson Holdings	1.9	
	Mitsubishi	1.4	
	Oil and Gas	**1.2**	**2.9**
	INPEX	1.2	
	Electricity Utilities	**1.2**	**2.4**
	AES	1.2	
	Autos	**3.5**	**2.5**
	BMW	1.7	
	Aluminium	**1.3**	**0.0**
	Arconic Corp	1.3	
	Steel	**0.9**	**0.4**
	Airlines	**0.7**	**0.1**
	Diversified Mining	**0.6**	**0.8**
	Chemicals	**0.3**	**2.3**
	Pulp and Paper	**0.0**	**0.3**
	Shipping	**0.0**	**0.2**
Other	**Banks**	**8.6**	**6.1**
	ING Group	2.8	
	KB Financial Group	1.6	
	Sumitomo Mitsui Financial Group	1.5	
	Sberbank of Russia	1.4	
	Real Estate	**1.0**	**2.8**
	Daiwa House Industry	1.0	
	Climate Action 100+	**0.0**	**3.7**
	Total	**30.4**	**35.1**

Source: Orbis, FTSE World Index. Data is as of 31 December 2021. High Carbon Impact holdings with <1% exposure had an aggregate weight of 8% as of 31 December 2021. They are included in the 30% total but are not individually named in the above table. There are some GICS codes which appear in more than one TPI sector. For the purposes of the above table, we have allocated each GICS code to only one TPI sector and we have combined Oil and Gas with Oil and Gas Distribution.

[11] https://www.carbontrust.com/news-and-events/events/2020/11/webinar-scope-3.

The Orbis Global Equity Strategy's exposure to High Carbon Impact sectors (continued)

Consistent with our approach to ESG integration, the Orbis Global Equity Strategy held positions in these companies at 31 December 2021 because we believed their share prices more than discounted the climate-related risks that they faced.

To help inform that assessment, we have developed a framework to help us build a broad perspective to understand the progress each company's management is making to reduce its emissions in line with the sub–2˚C goal of the Paris Agreement. We present our initial findings on the next page. In the future, we expect to use this information to inform our risk assessment and engagement efforts, and to monitor the ongoing progress of investee companies in managing their climate-related risks.

For investors to be able to assess climate-related risks, it is essential that investee companies disclose climate-related information. **Jardine Matheson Holdings**' lack of climate-related disclosure stands out in this regard. When we engaged with company executives on this topic, they explained that the company intends to disclose additional climate-related information in a sustainability report to be published in mid–2022. We will engage in 2022 with other companies held in the Orbis Global Equity Strategy that do not publicly disclose Scope 1 and 2 emissions to request that they do so.

As is clear from the mosaic presented on the next page, there are opportunities to engage with companies that have not yet published near- or long-term targets to understand their perspective on whether they are on a Paris-aligned path. When it comes to more intensive engagements, we will prioritise those that offer the highest return on time based on the probability of success, as explained in the Engagements section of this report.

In many cases, the Covid-19 pandemic contributed to a recent fall in absolute emissions but also to an increase in carbon intensity (due to falling revenues). As these effects start to subside, we expect this information to become more meaningful in helping us to assess long-term trends in companies' emissions reduction efforts.

In developing our framework, we drew on principles from leading industry frameworks: the Net Zero Investment Framework, the Transition Pathway Initiative and Climate Action 100+ Benchmark. Our aim was to use a number of metrics to create a mosaic to help us assess each company's progress, rather than to focus on a single metric at this stage. We expect to refine our approach over time, as both industry frameworks and our own thinking evolve. We welcome all feedback from clients in this regard.

Framework to assess emissions reduction efforts of high-emitting companies

The following table contains our assessment as at April 2022 based on publicly available information.

Sector	Company	Reporting of emissions			Emissions performance (from 2019 base)		Targets			Management and oversight	Risk management
		Reporting of Scope 1 and 2 emissions	Reporting of relevant Scope 3 emissions	Quality	Trend in absolute emissions	Trend in emissions intensity (based on revenue)	Long-term Scope 1 and 2	Near-term Scope 1 and 2	Quality	Remuneration linked to climate change*	Scenario analysis and TCFD reporting
Aluminium	Arconic Corp	Substantially all	Substantially all	GHG protocol	Decreased	Increased	None	Less than 2 degrees (one division)	Not science-based	None	Working on TCFD-aligned reporting
Autos	BMW	Substantially all	Substantially all	Independently assured	Decreased	Decreased	1.5 degrees	1.5 degrees	SBTi verified	Yes - ST or LT	TCFD-aligned reporting
Electricity Utilities	AES	Substantially all	Substantially all	Independently assured	Marginally decreased	Marginally decreased	1.5 degrees (Scope 1 only)	1.5 degrees (Scope 1 only)	Science-based	Yes - ST or LT	Scenario analysis & TCFD supporter
Coal Mining	Jardine Matheson Holdings	None	None	n/a	n/a	n/a	None	None	None	None	None
Coal Mining	Mitsubishi Corporation	Substantially all	Some	Independently assured	Increased	Increased	1.5 degrees	1.5 degrees	Science-based	Yes - ST or LT	Scenario analysis & TCFD supporter
Oil & Gas	INPEX	Substantially all	Substantially all	Independently assured	Decreased	Marginally increased	1.5 degrees	Less than 2 degrees	Science-based	Yes - ST or LT	Scenario analysis
Other Industrials	Howmet Aerospace	Substantially all	Substantially all	Independently assured	Decreased	Marginally increased	None	Less than 2 degrees	Science-based	Optionally	Scenario analysis
Other Industrials	Samsung Electronics	Substantially all	Substantially all	Independently assured	Marginally increased	Marginally increased	None	None	n/a	Yes - ST or LT	Working on TCFD-aligned reporting
Other Industrials	Rolls-Royce Holdings	Substantially all	Substantially all	Independently assured	Decreased	Increased	1.5 degrees	1.5 degrees (excludes product development and testing)	SBTi verified	Yes - ST or LT	Scenario analysis
Banks	ING Group	Substantially all	Some	Independently assured	Decreased	Increased	1.5 degrees	1.5 degrees	Science-based	Yes - ST or LT	TCFD supporter
Banks	KB Financial Group	Substantially all	Substantially all	Independently assured	Marginally increased	Increased	1.5 degrees	1.5 degrees	SBTi verified	Yes - ST or LT	TCFD supporter
Banks	Sumitomo Mitsui Financial Group	Some	Some	Independently assured	Decreased	Increased	1.5 degrees	1.5 degrees	Science-based	Yes - ST or LT	Scenario analysis & TCFD supporter
Real Estate	Daiwa House Industry	Substantially all	Substantially all	Independently assured	Decreased	Decreased	1.5 degrees	Less than 2 degrees	SBTi verified	Yes - ST or LT	Scenario analysis & TCFD supporter
Gold Mining	Newcrest Mining	Substantially all	Substantially all	Independently assured	Marginally increased	Decreased	1.5 degrees	Less than 2 degrees	Science-based	Yes - ST or LT	TCFD supporter

Source: Orbis using information from company reports, ©2022 S&P Trucost Limited ("Trucost"), an affiliate of S&P Global Market Intelligence, CDP, Science Based Targets Initiative, TCFD. Intensity is calculated using revenue in the company's reporting currency to avoid the effect of movements in the exchange rate. Portfolio-level numbers do not contain the same adjustment and revenue is in USD for all companies. The above table shows information for the companies listed on page 34 plus Newcrest Mining, which was a significant contributor to the portfolio's WACI and owned emissions at 31 December 2021. Excludes Sberbank of Russia as we have since stated our intention to sell out of the position in a manner that takes into account the interests of clients when trading resumes for foreign investors.

*Remuneration uses green shading when both short- and long-term executive remuneration are linked to climate metrics. Uses yellow shading when either short- **or** long-term executive remuneration, but not both, are linked to climate metrics. Orange shading indicates that executive remuneration may be linked to climate metrics.

Our approach

Engaging directly with investee companies is an essential part of our research process and of how we exercise our ownership responsibilities. The vast majority of our engagements with investee companies take place in routine meetings. As active owners, we look for other opportunities to engage when we believe we can make a difference.

Recognising that responsibility for the day-to-day operations of a company rests with its management, our primary objective in most engagements is to improve our understanding of the company and its business. From time to time, we may believe that we can contribute to a company's deliberations over its broad strategy.

One of our responsible investing principles is to "engage proactively". When we invest in businesses with negative environmental or social impacts, we have a strong preference for engagement because we believe positive change comes from addressing problems proactively, not avoiding them. Furthermore, when expectations are set low, improvements can enhance stockmarket valuations and thus boost returns for shareholders.

We often get the opportunity to engage with investee companies prior to their annual meeting, and such discussions serve as an input to our voting decisions. When offered these opportunities, we aim to further our Funds' interests by sharing ideas that we believe will enhance or preserve shareholder value.

Our approach to engagement is applied across all investment markets in which we participate, and takes into account applicable law and local regulatory and market expectations, including, where applicable, best practice codes, such as the Japanese Stewardship Code.

Orbis' Policy on Engagement, which is available in the Investing Responsibly section of orbis.com, contains more information on our approach to engaging with investee companies.

Engagement process

Responsibility for engaging with investee companies sits with our investment team. Specifically, the senior analyst closest to each company is responsible for leading our engagement activities with that company.

We generally consider engaging with companies privately to be more constructive than public engagement. When we identify concerns, analysts typically start by raising them in meetings with senior management to give them the opportunity to respond and provide their own perspective. If our concerns persist, we would consider actions such as sending a formal letter expressing our concerns to senior management, an independent director, or to the board as a whole. On rare occasions, if our analysts continue to have concerns about the strategy, sustainability or governance of a company, they may escalate further, including by making their concerns publicly known.

Intensive engagements tend to take considerable time. When prioritising such engagements, our investment team must form a judgement on whether they are likely to represent a good return on time based on the probability of success. To do so, they consider factors such as the materiality of the issue to our assessment of the company's intrinsic value, the exposure of the Orbis Funds to the company in question, the likelihood of success, and the expected time and effort required to pursue such action (including any opportunity cost).

Analysts are encouraged to set clear objectives before each engagement, and are also responsible for monitoring actions subsequently undertaken by management as part of their ongoing assessment of the company's intrinsic value. If concerns regarding a company's strategy or governance persist, causing us to lower our estimate of the company's intrinsic value, we may reduce the position size or sell the company's shares entirely.

We do not formally measure the success of our engagement efforts, partly because it is difficult to prove that a positive outcome was indeed the result of our efforts. If we were to attempt such an exercise, we would measure success in the context of the time invested.

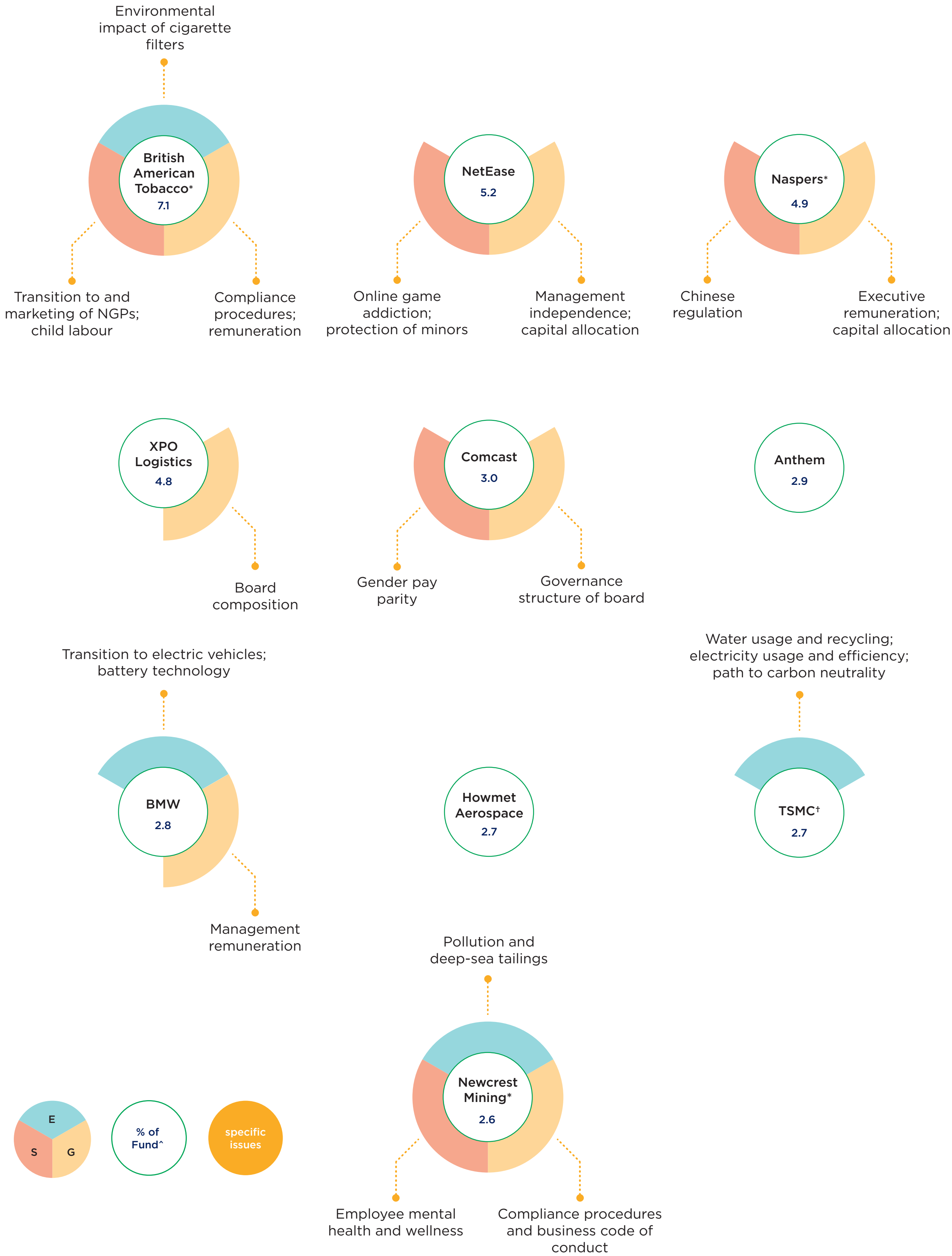
Summary of meetings in 2021

In 2021 we held over 500 meetings with more than 275 investee and potential investee companies and discussed ESG issues in around 40% of these meetings. The manner of these ESG-related discussions varied significantly. Our main objective was to seek to understand more about the impact of ESG factors on a company's business, but at times we may have chosen to express views of our own or to voice concerns.

ESG factors are many and various, and their impact on individual companies is very company specific. The nature of the ESG issues we discussed with investee companies will therefore differ, but the common thread is that we focused on issues that were potentially material to our assessment of the company's intrinsic value.

To illustrate this point, the figure on the following page shows the individual E, S and G issues discussed in 2021 (not in prior years) with the Orbis Global Equity Strategy's ten largest holdings. Our engagements with these companies were vital in developing and monitoring our investment theses.

ESG issues discussed in 2021 with largest holdings in Orbis Global Equity



*Includes engagements by our sister companies, Allan Gray Proprietary Limited (British American Tobacco and Naspers) and Allan Gray Australia (Newcrest Mining). ^Data is for a representative account for the Orbis Global Equity Strategy. Holding percentage represents the average holding over the 12 months to 31 Dec 2021. †Taiwan Semiconductor Manufacturing. All of these stocks were held other strategies in 2021.

Engagement examples

We recognise the need for clients to understand how, as stewards of their capital, we engage with investee companies. At the same time, disclosing in this publicly-available document certain details of private discussions conducted in a constructive spirit would not be in the interests of clients. We have tried to strike an appropriate balance in providing the following engagement examples from 2021.

Remuneration policies

The structure of a company's remuneration policy is very important to us because incentive structures drive human behaviour. As such, a company's remuneration policy is critical to assessing how its intrinsic value is likely to develop over time. We believe that a company's remuneration policy should aim to attract and retain competent executives, reward these executives fairly in a way that is consistent with their performance and with the long-term interests of shareholders, and incentivise executive behaviour that maximises shareholder value and discourages value-destroying behaviour over the long term.

This is easy to say, but it can be difficult to implement in practice. The perfect remuneration policy probably does not exist. We recognise this when considering our voting recommendations on remuneration policies. We also remain mindful that the value which key executives can add (or subtract) for a company can dwarf their remuneration, and that companies compete to employ competent executives. The key criteria we consider when evaluating a company's executive remuneration scheme include whether it is structured to incentivise executives to create long-term value for shareholders, pay-performance sensitivity on both the upside and the downside, the quantum of executive remuneration, governance and implementation of the remuneration scheme, and the transparency and usefulness of disclosures. We may support a company's policy if it is sufficiently close to best practice, even if it does not reflect every desired criterion.

In 2021, we engaged with a number of companies to provide feedback on key features of management remuneration schemes, either in writing or in meetings with members of relevant board committees. Examples of views we expressed included: selecting performance metrics based on long-term profitability, rather than short-term growth in customers (UK company); performance targets should be sufficiently stretching so as not to reward average performance too highly (UK company); and increasing the weighting of share-based compensation and reducing that of cash bonuses in order to better align management's interests with those of long-term shareholders (German company). In some of these cases, we welcomed changes that the companies subsequently incorporated into the final remuneration scheme, although we cannot claim sole credit as they seek input on such matters from a number of shareholders.

Other engagements prior to shareholder meetings

As signatories to the Japan Stewardship Code, we aim to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement. Consistent with this objective, we wrote a number of letters to the management of Japanese companies held in the Orbis Funds in which we expressed our intention to vote against proposals at shareholder meetings. We also explained our rationale for doing so and, where appropriate, made additional recommendations that we discussed in subsequent interactions with the companies.

Similarly, we wrote to the board of a UK company in which the Orbis Funds were collectively a leading shareholder to explain why we intended to vote against the re-election of the company's Chair as a director at its upcoming annual meeting. In the spirit of constructive engagement, we subsequently met with the Chair in order to share perspectives, but nevertheless voted against his re-election because we felt a change in board leadership was necessary to unlock significant unrealised potential for the underlying business. A number of Orbis Funds continued to hold the company's shares at 31 December 2021 because we believed they traded at a large discount to intrinsic value despite our tepid view of its management and board. Both the company's Chair and its Chief Executive Officer stepped down from their roles in early 2022. We felt the new appointments likely represented an improvement. As always, it is impossible to know whether these changes were a direct result of our engagement efforts.

Potentially negative environmental or social impacts

In a meeting with the new Chair of the Board of **British American Tobacco**, we shared our concerns about the way new products had been marketed in the past. We subsequently wrote a letter to explain how we felt he should oversee the company. In particular, we urged the company to ensure it meets the highest ethical standards, even if this means sacrificing short-term profits, and not to tolerate any activities that fall short of those standards. This engagement was ongoing as at 31 December 2021.

We met with representatives from **Royal Dutch Shell**, including a senior environmental specialist from the project team, to understand the rationale for an oil exploration project off South Africa's Wild Coast and how the company intended to conduct a seismic survey in a responsible manner. The company explained that it focuses such exploration on high-potential areas with a local need for energy security. It also outlined the ways in which it sought to mitigate any negative environmental impacts, and we subsequently encouraged the company to improve its public disclosures on this topic. A court ruling has since delayed the seismic survey.

When preparing our Stewardship Report 2020, we were unable to find publicly disclosed Scope 1 and Scope 2 emissions data for three companies from the Orbis Global Equity Strategy's 20 largest holdings: **Autohome**, **NetEase** and **Sberbank of Russia**. In the spirit of constructive engagement, we contacted these companies in early 2021 to encourage them to disclose this information publicly. All three companies thanked us for this feedback. NetEase and Sberbank confirmed their intention to improve their climate disclosure in the future.

Expressing concerns publicly

In 2021, Eneos Holdings, the majority shareholder of **Nippo Corporation**, Japan's leading road paving company and a holding in the Orbis Japan Equity Strategy, made a tender offer for the shares in Nippo that it didn't already own. We wrote to Nippo and Eneos to express our view that the structure of the tender offer was unfair and abusive to minority shareholders because it would compel them to sell at a price well below our estimate of intrinsic value, with insufficient disclosure of how a fair price was determined. We subsequently escalated our efforts by releasing a public statement but were nevertheless forced to sell at a price we felt meaningfully undervalued Nippo.

Collaborative engagements

A collaborative engagement is an engagement conducted jointly with other investors.

Collaborating with other investors can enable us to benefit from their expertise (and vice versa) and, by representing a larger portion of the company's outstanding shares collectively rather than individually, the probability of successfully achieving the engagement's objectives may be higher. A collaborative approach can be more efficient for the company as it involves fewer external interactions. That said, it can be difficult for different investors to agree on a common set of engagement objectives and leading a collaborative engagement is time consuming.

We typically prefer to engage independently and did not participate in any collaborative engagements in 2021. On rare occasions, and subject to legal constraints and market practices, we may join collaborative engagements if we consider it to be in the interests of clients.

For example, in 2019 we joined a collaborative engagement (coordinated by PRI) with **Vale**, an iron ore producer, and local communities in Brazil to discuss the company's response to the collapse of one of its tailings dams earlier that year, which resulted in more than 250 deaths.

Participating in this engagement gave us access to key stakeholders in Brazil who were less likely to engage with us individually, as well as the opportunity to learn from engaging alongside specialists in this area. Furthermore, the nature and importance of the subject matter led us to conclude that engaging alongside other shareholders was likely to make most difference.

When completing this engagement in late 2020, PRI concluded that it had elicited some progress, but there remained room for further improvement to adequately address concerns around tailings dam safety, community engagement, and reparations.

Our approach

Voting rights are an important benefit to equity investors, and exercising those rights is an important part of our role as stewards of our investors' capital.

Our guiding principle when voting at shareholder meetings is the same one that governs all our actions: to strive to act in what we believe are the long-term economic interests of the Orbis Funds. We believe a principles-based approach affords us greater flexibility to meet this objective than following a prescriptive set of rules. As a result, our votes naturally align with our voting policy.

Proxy voting process

Just as we would never delegate stockpicking to a third party, we believe that an investment manager should not delegate its voting decision. We do not outsource any of the decision-making to a third-party proxy adviser, we have no predetermined rules and we do not just "tick the boxes".

The investment analyst closest to the investee company is responsible for making voting recommendations. This ensures analysts are actively engaged in voting decisions—in keeping with our investment philosophy and the approach to proxy voting described above.

Orbis' proxy voting administrator receives notifications of upcoming shareholder meetings from our third-party proxy voting advisor, Glass Lewis, via our internal proxy voting administration system. After reviewing the notification, the proxy voting administrator uses the same internal system to send information about the meeting to the covering analyst.

Prior to making a recommendation, analysts have access to detailed proxy research from Glass Lewis. They may consult with their team leader, such as when considering a contentious matter or proposing a vote against management's recommendation. The leader of each investment team, who is responsible for ensuring that the proxy voting process works effectively within their team, may review the analyst's voting recommendations before Orbis gives voting instructions. Clients may choose to express how we should vote on a particular resolution, but we aim to act in the interests of the Orbis Funds.

Our preference is to vote either "For" or "Against" a resolution. Occasionally, we may "Abstain", such as when information is lacking or where a resolution falls short of best practice but the issue is not sufficiently material to oppose management. We may also abstain where our expectations are not met but where the company has made or promised changes that significantly improve the position, or where we have not had sufficient information or opportunity to engage with management.

We typically aim to exercise our voting rights. The main exception is when our Funds sell out of their position in a company before the meeting date. This mitigates the risk of "empty voting", as does the fact that the Orbis Funds do not currently engage in securities lending. On rare occasions it may be impractical or disadvantageous to vote.

We follow a uniform process across all investment markets in which we participate, although investment teams may adopt additional policies and procedures in order to meet local regulatory or market expectations.

Orbis' Proxy Voting Policy, which is available in the Investing Responsibly section of orbis.com, contains more information on our approach to proxy voting.

Quarterly proxy voting records for most Orbis Funds are available on our website.[12]

[12]Voting records are not published for Orbis Funds that are not publicly available or do not have external investors.

Orbis Global Equity Strategy: voting record in 2021[13]

During the year, we voted:

on **1,011** resolutions[14]

at **69** meetings

for **66** companies

Of these:

- **2%** of votes were against management's recommendation
- We voted against management at least once at **12%** of companies
- **1%** of our votes were abstentions

Proposals type	Votes with management's recommendation	Votes against management's recommendation	
	#	#	%
Audit/Financials	142	0	0
Board related	546	8	1
Capital management	74	12	14
Changes to company statutes	57	0	0
Compensation	117	0	0
Mergers & acquisitions	7	0	0
Meeting administration	18	0	0
Other	8	2	20
Shareholder resolutions			
Compensation	1	0	0
Environment	1	0	0
Governance	10	1	9
Social	5	1	17
Total	**986**	**24**	**2**

In 2021 we submitted votes for the Orbis Global Equity Strategy at 97% of possible meetings. Appendix 5 contains 2021 voting records for a number of other Strategies. Since all Orbis Strategies—and the Funds within them—voted in the same manner, the rest of this section is relevant for other Strategies.

[13]Data is for a representative account for the Strategy, sourced from Glass Lewis.
[14]Includes a vote for a shareholder resolution that is missing from the summary table because management did not make a recommendation.

Votes against management's recommendation

We have disclosed company names in the remainder of this section because we make the proxy voting records for the Orbis Funds available on orbis.com.

Many votes cover routine matters, such as resolutions approving the company's accounts and the appointment of its auditors. In most other cases, we would usually expect to support management's recommendation, especially given our preference for investing alongside aligned management teams that we expect to be effective custodians of the businesses we invest in for the long term.

But as with any long-term relationship, there will be some disagreement. As shown in the previous table, the Orbis Global Equity Strategy did not support management's recommendation for 2% of votes.

Shares represent ownership of a fraction of a company. That fraction shrinks when companies create more shares. Since this can make existing shares less valuable, our analysts closely scrutinise proposals to grant a company general authority to issue new shares. All of the "Capital Management" proposals on which we voted against management were of this nature. We either abstained or voted against such proposals by **British American Tobacco**, **Heineken**, **Diageo** and **Naspers**.

We voted against a number of board appointments at **Alibaba** and **Sumitomo Mitsui Financial Group** due to concerns about board independence or because we felt that the nominated director served on too many boards. We also abstained from voting on a number of board appointments at **Sberbank** in order to allocate our votes to company-nominated independent directors.

We also voted against a proposal to authorise British American Tobacco to make political donations of up to £100,000 because of the sensitive nature of the company's activities from an ESG perspective.

The proportion of votes against management's recommendation (2%) was lower than in 2020 (7%). A key driver of this decline was the fact that the Strategy no longer held shares in six companies that accounted for a little over one-third of votes against management in 2020: **Altria**, **Bristol-Myers Squibb**, **Credit Suisse**, **Genting**, **Imperial Brands** and **United Airlines**. In 2020 we voted against management's recommendation for 21% of resolutions at these companies' shareholder meetings.

Shareholder resolutions

Shareholder resolutions are proposals submitted by shareholders rather than by the company's management. For this reason, management will typically recommend voting against the resolution.

Such proposals tend to relate to ESG issues, as shown in the table below. Even if we support the broad thrust of a resolution, we may vote against it if we believe it is poorly designed.

Relating to	For		Abstain		Against		Total	
	#	%	#	%	#	%	#	%
Compensation	0	0	0	0	1	100	1	5
Environment	0	0	0	0	1	100	1	5
Governance	2[15]	17	0	0	10	83	12	60
Social	1	17	0	0	5	83	6	30
Total	**3**	**15**	**0**	**0**	**17**	**85**	**20**	**100**

We voted in favour of two shareholder resolutions at **Facebook** (now Meta Platforms). First, a proposal requiring the company to select an independent Chair of the Board, which we supported because we felt shareholders would benefit from such a check given the dominance of the Founder, Chairman and Chief Executive Officer who controls the majority of the company's voting shares. Second, we supported a proposal to require Facebook to prepare a report on reducing false and divisive information across its platforms. Despite the company's efforts to improve in this regard, including investments in new technologies, this issue continued to cause concern among regulators and the broader public. We believed that more disclosure on the subject would not only provide additional clarity but could also dispel some of the misinformation that had depressed the valuation multiple for its shares, in our view.

We also voted in favour of a shareholder proposal at **DNB**, a Norwegian bank. The shareholder sought approval to limit the number of individuals that can be elected to the Board of Directors but did not submit a proposal. Instead, management arranged for a consultative vote on the issue. The proposal was structured in such a way that our vote in favour supported maintaining the current limit of eight shareholder-elected board members, and therefore went against the intention of the shareholder. We felt the board and management, rather than shareholders, should take such decisions.

After meeting with the company to understand its perspective, we voted against a shareholder proposal for **Sumitomo Corporation** to amend its articles of association to adopt Paris-aligned targets for its coal, oil and gas assets. In response to the proposal, Sumitomo announced significant changes to its climate policies and reporting by establishing more stringent emissions reduction targets, including medium-term targets. It also announced that it will not pursue new coal-fired power generation projects and will end all coal-fired power generation business in the late 2040s. While we would encourage the company to adopt Paris-aligned targets, we felt the proposal was poorly drafted and amending the articles of association in this way would fetter the prerogative of the Board to properly identify and manage the climate-related risks facing the company.

[15]Includes a shareholder proposal whereby a vote for the proposal was in effect a vote against the intentions of the proponent.

Significant votes

For the purposes of the disclosure under the Shareholder Rights Directive II (Directive (EU) 2017/828) and COBS 2.2B.7, we provide below our rationale for the "most significant" votes relating to companies in which the Orbis Funds' combined voting rights[16] exceeded 10% of the total and we voted against management or against a shareholder resolution.

In 2021, the Orbis Funds made the following "most significant" votes—all against shareholder resolutions at **XPO Logistics** that Glass Lewis recommended supporting.

- Proposal to require the Chairman of the Board to be an independent director. We agree that an independent Chairman is usually in the interests of shareholders, especially when there is limited alignment between management's financial incentives and those of shareholders, but we do not believe this should always be the case. Brad Jacobs, Chairman and CEO of XPO, is a leading shareholder in the company and has demonstrated a long track record of value creation. We also felt that a number of recent board appointments at XPO had increased independent oversight of management. For the same reasons, we voted against the same proposal in 2020.

- Proposal regarding the acceleration of executive equity awards in the case of a change of control. Given our view that shares in XPO traded at a substantial discount to our assessment of intrinsic value, we did not support adding any disincentives for the company's executives to approve a change in control. We also voted against the same proposal in 2020.

- Proposal to require the company to provide additional disclosure of its political activities. While it is important to have transparency into such issues, we voted against this proposal because we agreed with management's view that XPO's participation in public policy making was limited, and the company already complied with public reporting requirements.

The Funds within the Orbis International Equity, Orbis Global Balanced and Orbis Optimal Strategies made two "most significant" votes at **Golar LNG**'s 2021 annual meeting. In each case, we had voted against the same resolutions in 2020 for the same reasons:

- Our vote in favour of a proposal to elect a director differed from the Glass Lewis recommendation to vote against the proposal in order to hold this director, also a member of the nomination committee, accountable for that committee's failure to appoint an independent lead director to provide oversight in the absence of an independent board chair. Similar to one of the XPO resolutions above, our confidence in Golar's well-aligned management team resulted in us voting against the Glass Lewis recommendation.

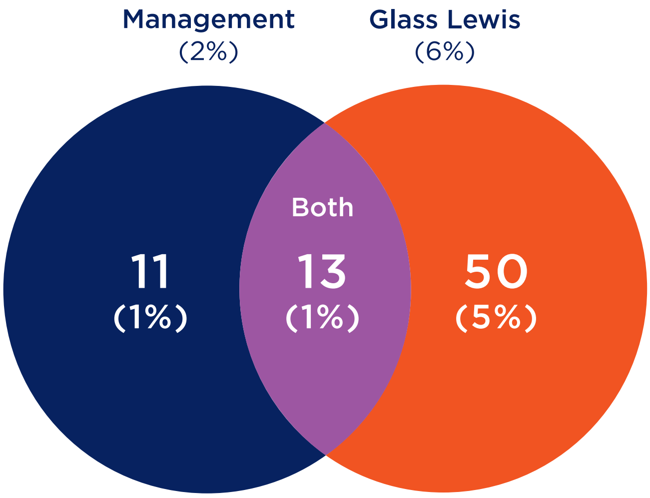
- We abstained from voting on a proposal to elect another director whose appointment Glass Lewis opposed because his leadership role at a company with whom Golar invested in a joint venture meant that fewer than two-thirds of the board were independent directors. Despite not being concerned about board independence and oversight, we chose not to support this resolution in order to register our concerns about an executive of a joint venture partner being on Golar's board.

[16]Under Article 3g(1)(b) of the Shareholder Rights Directive II (Directive (EU) 2017/828), the "most significant" votes are determined on the basis of quantitative and/or qualitative criteria set by Orbis. For the purposes of determining the "most significant votes", holdings owned by the SICAV and OEIC are combined with other Orbis Fund's holdings in the same companies given that (i) those are held across same strategies and (ii) voting rights are generally exercised by the same Investment Managers across all funds.

Recommendations by Glass Lewis

Members of our investment team may use proxy voting research by Glass Lewis as an input in making their voting decision. But we do not delegate the voting decision to Glass Lewis—just as we would never delegate stockpicking decisions to a third party. Glass Lewis typically recommends supporting routine proposals, which form the vast majority of the total. In 2021, we voted in line with management's and Glass Lewis' recommendations for more than 93% of resolutions.

Votes Against Recommendation by



Includes shareholder resolutions and abstentions. Percentages shown are a total of votes submitted. Figures may not sum due to rounding.

Glass Lewis takes a rules-based approach to making voting recommendations—quite reasonably given the size of its research universe. On a number of occasions in 2021, we concluded that the strict application of these criteria was not in the interests of our clients. As described in the Engagements section, we believe that a company's remuneration policy should incentivise executive behaviour that maximises long-term shareholder value, but we also recognise that the perfect remuneration policy probably does not exist. We therefore voted in support of management (and against the Glass Lewis recommendation) where we concluded that the management team was appropriately incentivised to perform over the long term even if, in some cases, remuneration policies may not have adhered entirely to best practice. We also voted in support of management (and against the Glass Lewis recommendation) by voting against the shareholder resolutions at **XPO Logistics** described above.

In instances where we voted against management's recommendation, we agreed with Glass Lewis just under half of the time. Of these 11 votes, eight related to the election of board members (at **Sberbank of Russia**, **Alibaba Group Holding** and **Sumitomo Mitsui Financial Group**), two related to shareholder proposals at **Facebook** (now Meta Platforms) discussed previously, and one to grant authority to issue more shares to the board of **Naspers**. As discussed above, we closely scrutinise proposals that may dilute the interests of existing shareholders, and almost all of our votes against the recommendations of management and Glass Lewis related to such proposals.

APPENDIX 1: OUR FIRM AND OWNER

Our firm's purpose, values and approach to investment management can be traced directly to the vision of our founder Allan W B Gray. A graduate of Harvard Business School, Allan began his investment career in 1965 at Fidelity Management and Research in Boston. After eight years at Fidelity, he returned to his native South Africa to start his own firm, which later became Allan Gray Proprietary Limited. With approximately $34 billion under management, that firm is now the largest privately owned and independent asset manager in Southern Africa. Orbis was subsequently formed to develop a global investment capability by applying the same investment and organisational philosophies.

Purpose and investment philosophy

Founded in 1989, Orbis has been investing globally for over 30 years. Since the firm's inception, our purpose has been straightforward: to empower our clients by enhancing their savings and wealth. We believe we can do this by applying our fundamental, long-term and contrarian investment philosophy that reflects our investment beliefs (see below).

We seek to invest in shares of companies that trade at a significant discount to our assessment of the intrinsic value of the business—intrinsic value being what a prudent business person would pay for the company. We believe the share prices of such companies will eventually reflect that intrinsic value. But we can never know when the gap between the share price and intrinsic value will close. Sometimes it happens much quicker than we expect, while at other times our assessment of intrinsic value simply turns out to be wrong.

At all times, we are prepared to be patient and to take a long-term perspective with each investment opportunity. We also recognise that even the best stockpickers are wrong about 40% of the time, so we seek to mitigate permanent losses of our clients' capital when this occurs. When executed in a disciplined and consistent manner over the long term, we believe such an investment philosophy offers the potential for superior returns and reduced risk of loss.

Our Investment Beliefs

Investment decisions are better driven by fundamental, bottom-up research, not top-down macro forecasting.

Taking a long-term perspective allows us to focus where others don't.

The best investment ideas are often contrarian, found in areas of the market which are out of favour with most investors.

Contrarian investment decisions are best made by individuals, not committees.

To deliver superior investment returns over the long term, we must be prepared to build portfolios that look very different from their benchmarks.

Risk is permanent capital loss, not short-term volatility or tracking error.

Organisational philosophy

To support this mission, we have structured our firm in a way that supports the implementation of our investment philosophy:

Alignment of interests

One of our most important objectives when we started Orbis was to maintain a clear alignment of interests with our clients. We have designed our performance-based fees to reward us for superior performance as well as penalise us for underperformance. Exceptional performers within the firm are offered the opportunity to receive cash flows tied to the profits of the firm. The level of participation reflects each individual's performance, but its value depends on the success of the firm in adding value for clients. The firm's founders, owners, management and many employees, and their respective family members, also co-invest in the Orbis Funds along with our clients, and pay the same fees. Indeed, as a group they are one of the largest single investors in our Funds.

Individual accountability

We believe contrarian investment decisions are best made by individuals, not groups. Our investment process has therefore always been designed to encourage individual thinking and accountability. Our paper portfolio system enables our analysts to express unequivocally their best investment ideas and to be held accountable for them. Our performance evaluation process allows us to objectively assess the quality of our investment decision makers. Over time, analysts who have demonstrated superior stockpicking ability are given additional responsibility and remain subject to a rigorous evaluation process in order to retain that responsibility.

Continuity of private ownership

Our ownership structure, discussed in more detail below, is designed to give our people the freedom to make tough, unpopular decisions and stick with them. We believe our ability, as a firm and as individuals, to focus on the very long term without the pressure to produce short-term results is an enduring competitive advantage in this industry. As an example, during the technology bubble of the late–1990s, our funds had almost no exposure to the sector. Although we were ultimately vindicated when the bubble burst, the decision to avoid overvalued technology shares initially came at an enormous cost in terms of relative performance, and we lost a significant number of clients. Without the commitment of our investor-owners, it would have been extremely difficult to stay the course during this period.

In order to deliver attractive long-term investment performance—and to do so sustainably—we have established powerful incentives against making decisions at the expense of future investment performance. Investment managers—as firms and as individuals—tend to make a few classic mistakes. These include growing assets under management beyond their ability to perform, over-reacting or panicking when the investment cycle goes against them, and not taking action when they should.

All of these mistakes are part of human nature, and it is very hard to avoid them. Rather than fight human nature, we try to put it to work in our favour, by structuring our organisation in a way that provides natural incentives to counteract the tendency to make these big “unforced errors”. While we still make plenty of mistakes of our own, we try to make it as easy as possible to avoid them.

Culture

We are each defined by our decisions and Orbis will be defined by the decisions of its people. The essence of our culture is best expressed in our Core Values (see Appendix 2), which guide our professional decisions and how we conduct ourselves as individuals. Of course, these mean little if they are just ink on a page, so each team at Orbis actively identifies behaviours that are consistent and inconsistent with the Core Values to apply them in their respective areas of responsibility.

Given our purpose and our emphasis on alignment of interests with clients, our focus is on investment performance rather than asset gathering. We also recognise that without our clients' trust and confidence, our firm cannot—and should not—survive.

Diversity and inclusion at Orbis

At Orbis, we support diversity and inclusion (D&I) because it helps us achieve our core purpose to empower clients by enhancing their savings and wealth, and because it's the right thing to do. We believe that diversity and inclusion within Orbis shapes our culture and will contribute to our success.

In 2020, we adopted a firm-wide D&I Vision that outlines the type of firm we strive to be and key indicators of progress that we measure ourselves against. The Vision is not a prescriptive set of rules and procedures, but rather a roadmap for achieving our D&I Vision and the toolset required to properly measure our success.

We strive to be a firm where:

1. D&I are embedded in the values, culture and practices of Orbis, and they play an integral part in achieving success,
2. Orbis' leaders are fully committed to holding people at all levels, including themselves, accountable for achieving our D&I Vision,
3. D&I are well-integrated into our business strategy, organisational systems and practices,
4. Orbis' talent development processes result in equitable and accessible recruitment, retention, and advancement and a pervasive feeling of inclusion,
5. Orbis' job design and classification avoid inappropriate bias, compensation is equitable, and the firm promotes work-life integration and flexibility, and
6. Communication strategies, both internally and externally, meet the needs of diverse groups and further Orbis' Core Purpose.

While there is still work to be done to achieve our Vision, we are proud to have made significant strides over the last few years. Examples of recent efforts are outlined below, each of which are designed to make Orbis an environment where everyone here can say: "Orbis is a place where people like me belong, where people like me can succeed."

- **Increasing the diversity of our talent pipeline**. Our teams are working closely with recruiters, local universities, and external strategic advisers to attract more diverse talent and build processes which are effective at interrupting bias.

- **Parental leave policies**. We have reviewed and updated our parental leave policies globally to ensure we support our employees during this important stage in many of their lives. We believe that robust parental leave policies will help us attract and retain people from many backgrounds.

- **D&I education**. We provide our people with a variety of educational resources and learning opportunities, some directed at the whole firm and others made available on an individual basis.

- **Agile working**. Our new Agile Working Policy enables each person to decide with their manager on a working from home or office schedule that works best for themselves, their team and our clients. We believe that an agile/flexible working environment will improve our ability to attract and retain exceptional people, whatever their background.

- **Data collection**. Last year, we held our first firm-wide D&I survey to form a baseline understanding of who we are (diversity) and how we feel (inclusion). Our findings have helped to inform our firm priorities.

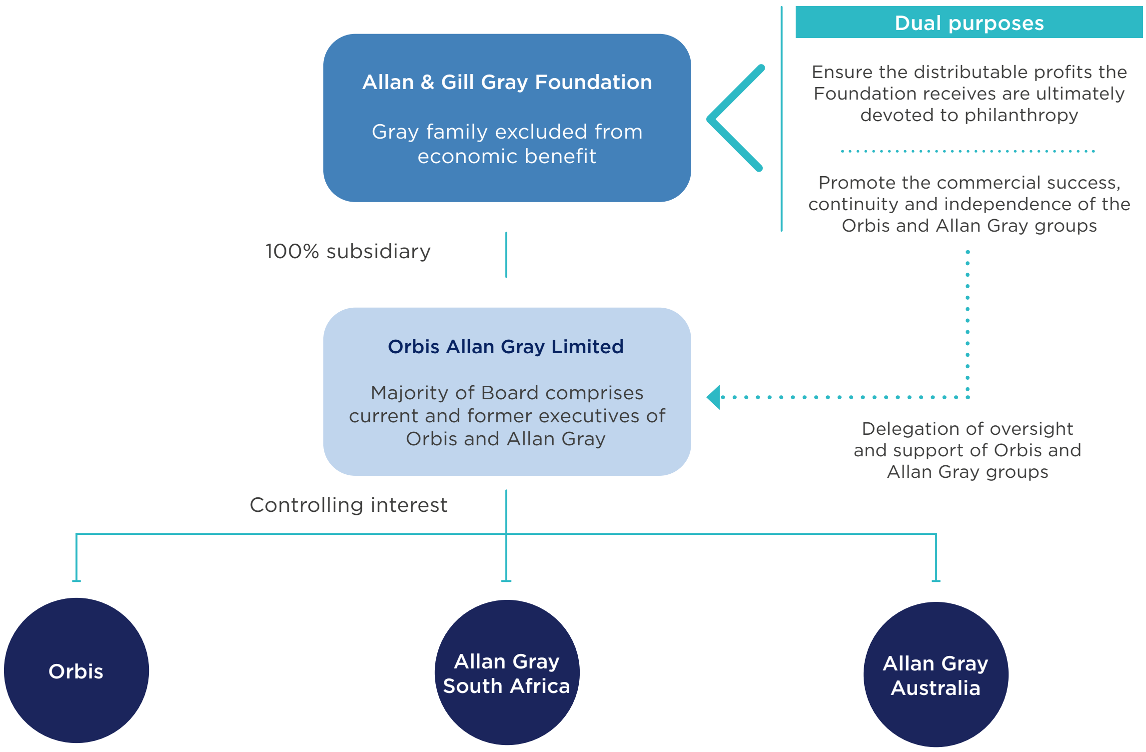
- **Community sponsorship**. Our firm supports and engages with various organisations across the world that promote diversity and inclusion more widely. We believe that our philanthropic efforts reinforce our steps towards inclusion at Orbis and the broader communities in which we operate.

We expect to iterate our approach to D&I over time and will continue to measure ourselves against the standards set out in our Vision.

Philanthropic ownership

A controlling interest in Orbis is indirectly held by Allan & Gill Gray Foundation, which has no owners in the traditional sense and is instead designed to exist in perpetuity and to serve two equally important purposes: (1) to ensure that the distributable profits the Foundation receives are ultimately devoted exclusively to philanthropy; and (2) to promote the commercial success, continuity and independence of the Orbis and Allan Gray groups.

Allan & Gill Gray Foundation also has a controlling interest in the Allan Gray Groups, which consist of Allan Gray Group (South Africa) and Allan Gray Group (Australia)—sister companies of Orbis and of one another.



Importantly, the Foundation does not directly manage Orbis or the Allan Gray groups, but rather delegates oversight and support of the firms to Orbis Allan Gray Limited, a holding company whose board consists of a majority of current and former Orbis and Allan Gray executives. With perpetual ownership in strong hands, the management of Orbis can focus entirely on adding long-term value for clients.

This structure means that the Foundation is uniquely positioned to create a symbiotic relationship amongst Orbis' key stakeholders:

- For **clients**, it allows us to remain focused on adding value on their behalf for generations to come.
- For **employees**, it engenders a strong sense of purpose, making Orbis a more satisfying place to work.
- For **our communities**, it empowers a broader segment of society to reach its full potential.

Allan & Gill Gray Foundation provides targeted support for organisations working towards human dignity, equitable opportunity, and the public good. Its approach in assessing the purposeful leadership and long-term thinking of possible grantees and partners is consistent with what it has learned from the investment management businesses, coupled with an appreciation for the human and personal nature of the work and its impact.

For more information, see https://allangillgrayfoundation.org/.

Employee-directed philanthropic programmes

Within Orbis, there are two employee-directed programmes: the Philanthropy Initiative, funded by the Foundation, and the Buchanan Programme. These plans give our people the opportunity to determine how best to deploy part of the available resources to philanthropy.

The **Philanthropy Initiative** is a collective giving programme that allows our people to work together in choosing a small number of local charities to receive significant financial grants. Coordinated by a locally-elected Ambassador, employees vote on a global funding theme before nominating and electing local charity partners. The Initiative gives participants the opportunity to address the needs and improve the lives of those who form part of their local communities through purposeful grant-making.

The **Buchanan Programme** aims to inspire and empower our people to make individual decisions that affect positive societal change in ways they find meaningful. Each year, employees are awarded a personal allocation which they can direct to charitable organisations of their choice. The programme has twin goals: to have an impact on worthwhile causes and to enable participants to find meaning and joy in these activities.

APPENDIX 2: OUR CORE VALUES

Earn the trust and confidence of our clients

Our clients come first; always. Not only is it the right thing to do but it is best for our clients and best for us in the long term. If we do what is best for clients, we will earn their trust, and if we excel at what we do, their confidence. If we earn our clients' trust and confidence, our services will be sought out rather than need to be sold, allowing us to provide better value for money. If we act accordingly and create client awareness, they will have a more rewarding experience with us and entrust us with their savings and investments. If we don't, they won't and the firm will die, as it should.

Excel in all that we do

To excel is the best way for us to earn our clients' trust and confidence. It is also inherently gratifying. While not always succeeding, we continually strive for excellence in servicing our clients effectively and efficiently. Producing an excellent investment track record is critical, but not nearly enough. Clients' trust and confidence is engendered by the totality of their experience with us including how we communicate and conduct ourselves, even how we answer the phone. If we demonstrate excellence in such areas, clients can more easily generate and sustain the confidence to invest with us, particularly through the trough of our investment performance cycle when they have the most to gain.

Foster a purposeful and fulfilling work environment

We seek to provide a working environment that appeals to those who excel. Most people who excel have a sense of purpose, take initiative and pursue excellence with a passion. They seek responsibility, authority and accountability for their actions. They thrive in an environment that offers stimulation, innovation, challenge, hard work, the ability to earn opportunity and reward commensurate with performance, as well as the satisfaction that comes from belonging to a firm that demands and achieves excellence. Our work environment causes most of those who excel and share our values to stay and most of those who leave to be happy they joined in the first place.

Recruit and reward based on value creation for clients

We strive to recruit and reward based on both past and demonstrable future potential value creation for clients. We hire people who have exceptional but often unproven potential. We offer them extraordinary opportunity and reward them commensurately with their performance. Value is created for clients in many ways. Every member of the firm is aware of how they create value for clients and each member's performance drives their reward, including by affording them authority and responsibility that plays to their strengths. Ideas are judged based on merit and merit alone irrespective of seniority or tenure. Favouritism and politics should not be tolerated.

Take a long-term perspective

Always think long term. Do what is in the best long-term interests of clients, even when in conflict with short- or medium-term expedience, growth or profitability. Invest to produce the best long-term results and offer products and services that are best for clients, even if in conflict with what they currently desire. Carefully considered decisions made with a long-term perspective are more enduring, reducing time spent fixing past mistakes and freeing us to make better decisions in future.

Act responsibly

Each of us has responsibilities to our clients, the firm, our colleagues and ourselves, and the firm has responsibilities to its people and the societies in which it operates. We are mindful of the responsibilities we have as individuals and on behalf of the firm and how they are changing. We are all ambassadors of Orbis and we must conduct ourselves accordingly. We act in fulfilment of our responsibilities, consistent with our Core Values and the priorities set out therein. We are each individually responsible for holding each other and the firm accountable.

APPENDIX 3: CARBON FOOTPRINT OF OUR OPERATIONS

Climate change is a problem that requires a huge effort from us all. Although reducing the carbon footprint of our operations pales in comparison to the broader impact we can have as responsible investors, we believe it is important that we make the effort to play our part. Above all else, it is the right thing for us to do.

In 2021, we launched a firmwide effort to identify the business activities associated with our most significant sources of emissions. This is in two principal areas. The first is the combustion of fossil fuels (Scope 1) and electricity use (Scope 2) in our offices. The second involves business-related air travel (Scope 3) to meet clients and investee companies, and to support our global operations.

The table below shows our Scope 1, 2 and 3 emissions, calculated in accordance with GHG Protocol standards. We attribute the reduction of emissions in 2020 and 2021 principally to the Covid-19 pandemic. For that reason, we extended our analysis to include the 2019 calendar year.

A number of the office buildings that we occupy are recognised for sustainability-related excellence. Certification frameworks differ across regions, given our presence in 8 countries, but these include a LEED Platinum rating in the US, a Green Building Council Australia Green-Star 5-Star rating, a BOMA Canada Best Certified Gold rating, and a Hong Kong BEAM Plus Platinum rating.

	Greenhouse gas emissions (tonnes CO_2e)		
Scope	**2019**	**2020**	**2021**
Scope 1	163	163	182
Scope 2	725	596	468
Total 1 + 2	**888**	**759**	**650**
Scope 3*	2,872	579	92
Total	**3,760**	**1,338**	**742**
Total per full-time employee	**8.6**	**3.0**	**1.7**

*Air travel only

Transitioning to clean electricity sources is another area of focus. Our Vancouver office benefits from electricity in the region that is 98% renewable. A large majority of electricity has also been transitioned to renewable sources for our two London offices. We are evaluating options for other offices and will also continue to monitor new developments in regions, such as Bermuda, where lower emission options are not yet commercially available.

Agile work arrangements are another change that we have now fully integrated across all Orbis offices and teams. Although the effects will be difficult to quantify with precision, we expect this will nonetheless translate into real emissions reduction by cutting down on employee commuting while allowing us to be more efficient in our office space usage in the long term.

Developing greater awareness and understanding of the drivers of our emissions footprint is essential to ensure that the actions that we take will lead to lasting reduction. Improving measurement and transparency are continuing areas of focus and we plan to gather and report on this information annually. We also strive to enhance employee awareness about our environmental impacts. This is especially true in the case of air travel, our most significant source of emissions. Employee townhalls, to share the results of our analysis and to encourage open dialogue, and regular publication of this information will help in that regard.

Finally, we are actively evaluating carbon offset projects as a near term strategy to mitigate against our impact although we are cognisant that this alone is not a substitute for emissions reduction. We will approach this in a thoughtful manner with careful consideration of leading accreditations and best practice to identify projects with high potential to deliver impactful results.

APPENDIX 4: CLIMATE-RELATED DISCLOSURES FOR THE ORBIS GLOBAL EQUITY STRATEGY

The following table shows climate-related disclosures for the top 20 holdings in the Orbis Global Equity Strategy at 31 December 2021, all of which were held in other strategies at that date.

Security Name	NAV (%)	Scope 1 emissions ('000)*	Scope 2 emissions ('000)*	Carbon intensity (Scope 1+2/revenue in US$ millions)	Owned Scope 1+2 emissions* (based on EVIC)^	Proportion of Fund's total owned emissions
British American Tobacco	6.0	342	418	23	588	1%
GXO Logistics[1]	3.6	Not currently reported			Not available in S&P Trucost	
XPO Logistics	3.4	1,689	183	115	6,681	8%
UnitedHealth Group	3.2	19	157	1	27	0%
Naspers	3.1	8	24	8	25	0%
Anthem	3.1	12	88	1	57	0%
Global Payments	2.8	3[4]	43[4]	6[4]	43	0%
ING Group	2.8	12	4[5]	1[5]	6	0%
Fleetcor Technologies[2]	2.7	Not currently reported			37	0%
Howmet Aerospace	2.6	370[6]	430[6]	152[6]	7,407	9%
Comcast	2.6	489	1,744	22	301	0%
Newcrest Mining	2.4	1,377	896	580	5,446	6%
NetEase	2.3	2[4]	18[4]	2[4]	76	0%
Progressive	2.3	23	88	3	73	0%
Dollar General	2.1	409[7]	1,214[7]	58[7]	1,354	2%
Taiwan Semiconductor Mfg.	2.1	2,011	8,283	226	779	1%
Samsung Electronics	2.0	5,726	11,852	88	1,213	1%
Jardine Matheson Holdings[3]	1.9	Not currently reported			622	1%
Motorola Solutions	1.8	14	60	10	73	0%
BMW	1.7	644	1,264	17	322	0%

Source: Orbis, S&P Trucost (©2022 S&P Trucost Limited ("Trucost"), an affiliate of S&P Global Market Intelligence), company reports. Data is for a representative account for the Strategy. Uses emissions data from S&P Trucost unless stated otherwise below. In these instances, Scope 1 and 2 emissions (and therefore carbon intensity) may differ from the S&P Trucost data used to calculate owned emissions in the last two columns of the table above, and in the portfolio-level numbers (WACI and owned emissions) disclosed elsewhere in this report. Total owned emissions excludes holdings for which emissions data is not available and the portfolio's net current assets (for example, cash and receivables), which means that the percentages may be over or understated.

*Metric tonnes of CO_2e. ^Enterprise value including cash.
[1]GXO Logistics has not yet reported its emissions as it has not yet been through a full reporting cycle since its August 2021 spin-off from XPO Logistics.
[2]When we engaged with Fleetcor on this topic, company representatives explained that it has completed a project that allows it to get the information to calculate its Scope 1 and 2 emissions. It is likely to disclose this information once US regulators have finalised rules relating to climate-related disclosures proposed in early 2022.
[3]When we engaged with Jardine Matheson on this topic, the company explained that it intends to disclose its Scope 1 and 2 emissions in a sustainability report to be published in mid–2022.
[4]These companies only partially disclose their emissions. We have therefore not used these figures to calculate the portfolio-level numbers disclosed elsewhere in this report or in the last two columns in the table above.
[5]Since ING Group's last reported Scope 2 emissions are not available from S&P Trucost, we have sourced this information from company reports.
[6]S&P Trucost's most recent emissions data for Howmet Aerospace is that of its predecessor company, Arconic Inc, for 2019. As part of a 1 April 2020 restructuring that resulted in the spin-off of its rolled aluminium products business into a new company called Arconic Corporation, the remaining company was renamed Howmet Aerospace. We sourced reported emissions and carbon intensity data from company reports for periods following the restructuring.
[7]Since reported emissions data for Dollar General is not available from S&P Trucost, we have sourced this information from company reports.

APPENDIX 5: VOTING RECORDS

In each case, we show the records for a representative account for the relevant Strategy, sourced from Glass Lewis.

Orbis Japan Equity Strategy: Voting record for 2021

Proposals type	Votes with management's recommendation	Votes against management's recommendation	
	#	#	%
Audit/Financials	31	0	0
Board related	320	17	5
Changes to company statutes	11	0	0
Compensation	24	3	11
Mergers and acquisitions	4	0	0
Shareholder resolutions			
Compensation	1	0	0
Environment	2	0	0
Governance	6	2	25
Total	**399**	**22**	**5**

We submitted votes at 97% of meetings.

Orbis International Equity Strategy: Voting record for 2021

Proposals type	Votes with management's recommendation	Votes against management's recommendation	
	#	#	%
Audit/Financials	177	0	0
Board related	637	29	4
Capital management	122	15	11
Changes to company statutes	63	0	0
Compensation	130	14	10
Mergers and acquisitions	9	0	0
Meeting administration	10	1	9
Other	16	2	11
Shareholder resolutions			
Environment	8	2	20
Governance	8	0	0
Social	2	0	0
Total	**1,182**	**63**	**5**

We submitted votes at 99% of meetings.

Orbis Emerging Markets Equity Strategy: Voting record for 2021

Proposals type	Votes with management's recommendation	Votes against management's recommendation	
	#	#	%
Audit/Financials	55	0	0
Board related	151	5	3
Capital management	14	13	48
Changes to company statutes	16	0	0
Compensation	34	2	6
Mergers and acquisitions	4	0	0
Meeting administration	11	1	8
Other	1	1	50
Total	**286**	**22**	**7**

We submitted votes at 100% of meetings.

Orbis Global Balanced Strategy: Voting record for 2021

Proposals type	Votes with management's recommendation	Votes against management's recommendation	
	#	#	%
Audit/Financials	160	0	0
Board related	701	12	2
Capital management	111	9	8
Changes to company statutes	68	0	0
Compensation	136	13	9
Mergers and acquisitions	6	0	0
Meeting administration	22	2	8
Other	13	2	13
Shareholder Resolutions			
Compensation	1	0	0
Environment	3	2	40
Governance	11	1	8
Social	5	2	29
Total	**1,237**	**43**	**3**

We submitted votes at 98% of meetings.

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