Orbis
Invest Differently

Stewardship Report

For the year ended 31 December 2022

One of our firm's key priorities in 2022 was to raise our game regarding responsible investing. Although our analysts and portfolio managers retain final accountability for incorporating these issues in their decision-making, we have now put in place a dedicated team to strengthen our responsible investing capabilities. Over the long term, the team aims to become a centre of excellence, enabling Orbis to execute on its responsible investing principles in a manner consistent with our Core Values.

In this report, we discuss the new team and other developments in our responsible investing efforts throughout the course of 2022, including examples of our approach in action. As we noted in our Responsible Investing Statement of Principles, we expect to find ourselves confronting issues where there is "fertile ground for conflicting priorities and differences of opinion." That's fine with us. To use a British expression, our preference is always to "grasp the nettle" and explain how we think about some of the most complex and controversial issues rather than merely highlighting the easiest situations or providing feel-good examples. In past reports we tackled the issue of investing in a tobacco company. This time, we discuss a company, Glencore, that is exposed to thermal coal among other controversies. We also describe how we implemented our "reject judiciously" principle to clarify our position on Russia.

Climate change is another important topic for which there are no easy solutions. In 2022, we published a paper describing our approach and setting out a number of commitments of our own. Simply selling shares of high-emitting companies changes nothing in the real world and can make things worse if these businesses end up in private hands and receive less scrutiny. As bottom-up investors, we are well placed to make a difference—for our clients and for society—by applying a broad perspective in thinking carefully about climate-related risks at the individual company level and acting as responsible shareholders. In this report we share our thinking on such risks in the Orbis Global Equity Strategy, including the latest results from the framework we have developed to assess the efforts that high-emitting investee companies are making to reduce their carbon emissions.

We hope this report and our additional disclosures on these matters will be useful for your own decision-making, and we welcome your suggestions for improvement. Please feel free to direct any comments or questions to your local Orbis team or directly to me at RI@orbis.com.

Henry Allen
Head of Responsible Investing team

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) and COBS 2.2B.7.

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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.

The following three principles, contained in our **Responsible Investing Statement of Principles**, guide our discussions and decisions in this area.

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 onto 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 these principles. The diagram in Appendix 1 also helps to illustrate how we integrate environmental, social and governance risks, events or conditions (often referred to as "ESG factors") into the investment decision-making process and how we exercise our stewardship responsibilities as active owners once invested.

The **Integrate Thoughtfully** and **Active Ownership** sections of this report provide an overview of our approach to these areas, and include examples of how we have implemented that approach in 2022. The section on **Climate Change** outlines how we apply our responsible investing principles to this topic, with a focus on the Orbis Global Equity Strategy, in recognition of the fact that climate change is a key responsible investing issue for our clients globally.

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.

The Investing Responsibly section of orbis.com contains more information on our approach to responsible investing, including links to the statements mentioned above and other related policies, such as Orbis' Proxy Voting Policy.

Implementing our "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. In 2022, we put in place a process to do so across all the Orbis Funds by applying our "reject judiciously" principle.

On the rare occasions when we consider walking away from an investment, we make such decisions on a company-by-company basis after assessing whether it is responsible to participate in the company's profits and if we could do more to promote positive change via engagement.

Just as a Policy Group Meeting allows for rigorous peer review of a new investment idea, a Reject Judiciously Meeting facilitates a high-quality and well-informed discussion of whether it is responsible to continue holding a company's securities, supported by a research report submitted prior to the meeting. As head of the investment team, Adam Karr is responsible for the final decision.

In 2022, we applied that process to clarify our position on Russia following its invasion of Ukraine:

As stewards of your capital, we are guided by our values as well as the pursuit of superior risk-adjusted returns. There are times when we will be unwilling to own particular investments at any price—and this is one of those times. In making that judgment, we assess not just the intrinsic value of the companies, but also the broader context in which they operate.

Taking a holistic view of the situation, we do not believe it is responsible to invest in companies whose actions are under the control of the current Russian regime. We have therefore suspended investing any new capital into Russia, and when trading resumes for foreign investors, we will seek to exit our Russian positions in a manner that is in the interests of our clients.

Accountability, oversight and incentives

Consistent with the principle of individual responsibility and accountability that underlies our investment process, we believe that responsible investing issues are best considered at the individual analyst level. This includes integrating relevant ESG factors into their bottom-up research, engaging with investee companies and voting at shareholder meetings.

The leaders of our investment teams are responsible for ensuring that analysts in their teams implement our approach effectively. Our team of responsible investing analysts provides specialist input and develops tools and frameworks to help Orbis execute on its responsible investing principles. Additionally, one analyst within each of our investment teams acts as a responsible investing "champion". In addition to advocating responsible investing best practices within their team, each champion acts as a conduit between their team and the Responsible Investing team.

Adam Karr, who leads the investment team and is a member of the Board of Orbis Holdings Limited, is ultimately accountable for Orbis' investment process, including its responsible investing policies and processes. Ben Preston, another member of the Board of Orbis Holdings Limited and a senior member of our investment team, is responsible for overseeing the implementation of our approach to responsible investing. Ben Preston can escalate decisions to Adam Karr, the Board of Orbis Holdings Limited or the Boards of other Orbis Group companies, as appropriate.

Henry Allen leads the team of responsible investing analysts. In addition to setting the team's research priorities, he is responsible for recommending and implementing changes to the firm's responsible investing policies, processes and tools, as well as for our ongoing reporting to clients and to the United Nations supported Principles for Responsible Investment (PRI), and to governance bodies within Orbis. Henry Allen and Ben Preston are both members of the firm's Responsible Investing Group, which meets regularly to allow members of the different teams involved in the implementation of our responsible investing approach to share information and perspectives, as well as to monitor compliance with associated policies and regulations.

As a firm, 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 most 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, including public information, third party research, company reports and direct engagement with companies. They also have access to internal resources, such as the expertise of our in-house Legal team with respect to governance matters, as well as detailed proxy research from Glass Lewis. We also subscribe to data and research from Sustainalytics, S&P and CDP.

In August 2022 we established a dedicated Responsible Investing (RI) team to help Orbis execute on its responsible investing principles. Given the increasing importance of responsible investing issues to our clients and of ESG factors to our assessment of intrinsic value, we felt the time was 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 the research of our responsible investing analysts to focus on the "integrate thoughtfully" and "engage proactively" principles.

Our RI team collaborates closely with its peers at our sister companies, Allan Gray Proprietary Limited (based in South Africa) and Allan Gray Australia. Many of the responsible investing issues we all face are global in nature and each team benefits from the sharing of different insights and perspectives.

Examples of how the RI team interacts with the broader investment team:

- Performing dedicated research of responsible investing issues impacting investee companies to provide an additional input that helps our investment decision-makers to understand better the associated risks and opportunities at the individual company and portfolio level.
- Developing frameworks to clarify the RI team's thinking on key responsible investing issues in order to underpin its subsequent research and to act as a basis for knowledge-sharing sessions with the broader investment team.
- Developing tools that enable the broader investment team to integrate responsible investing issues more effectively into investment decisions at the individual company and portfolio level.
- Identifying and prioritising opportunities to engage with investee companies, and then implementing and monitoring those engagements.
- Making recommendations for key upcoming votes at shareholder meetings to act as an input to the designated analyst's voting decision.
- Monitoring compliance with our responsible investing policies and processes.

An early priority for the newly-formed RI team has been to help build tools and frameworks that integrate a responsible investing perspective into the investment process more systematically than in the past. Analysts now have access to a summary of stock-specific responsible investing information at the start of the research process, which enables them to bring potentially material issues into focus as early as possible, while our investment decision makers now receive regular reporting on the responsible investing profile of the Orbis Global Equity Strategy. Our responsible investing analysts have also developed frameworks outlining key principles to consider when assessing corporate governance, as well as investee companies' efforts to reduce greenhouse gas emissions (as discussed in the **Climate Change** section).

These tools and frameworks are primarily supported by data that we source from CDP, S&P and Sustainalytics. The reality of these datasets is that they are far from perfect and hence our implementation has focused more on understanding the range of potential risks rather than attempting to distil such complex matters into a single score or rating. We are continually looking for ways to enhance our responsible investing data capabilities and tools.

External initiatives

Orbis has been a signatory to PRI since 2017. Reporting to PRI gives us the opportunity to use a common framework to explain our approach to areas such as active ownership and the integration of ESG factors, allowing clients to better assess whether our approach is consistent with their own beliefs. 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 our approach or make it more transparent. 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.

Orbis has been a signatory to Japan's Stewardship Code since 2015 because outlining how we apply the Code's principles helps us to engage constructively with Japanese investee companies. We periodically evaluate joining other external initiatives by assessing whether doing so is in the interests of our clients.

When developing internal frameworks, our responsible investing analysts draw on several external initiatives, including those developed by the Sustainability Accounting Standards Board and the Task Force on Climate-related Financial Disclosures (TCFD). We include information on significant votes on page 28 of this report to meet the requirements of the EU's Shareholder Rights Directive II. We have also found the Financial Reporting Council's UK Stewardship Code helpful in identifying opportunities to make improvements to the disclosures in this report, and are working towards reporting against the 12 principles set out in the Code with the aim of becoming a signatory in due course.

Recent enhancements and priorities for 2023

One of our key priorities for 2022 as a firm was to raise the bar in all respects when it comes to responsible investing. We identified three focus areas: people, process, and data.

People
We established a dedicated team of responsible investing analysts to enable Orbis to execute effectively on its responsible investing principles. See the "available resources" section above for more information.

Process
As outlined on page 5, we put in place a process to help implement the "reject judiciously" principle across the Orbis Funds if we don't believe it is responsible to hold a company's securities.

Our responsible investing analysts worked with other teams to develop a one-page summary of responsible investing information to help analysts identify potentially material issues at an earlier stage of the research process. They also prepared a report outlining what they considered to be the most material responsible investing related risks in the Orbis Global Equity Strategy and discussed their findings with the investment decision makers.

Data
Having subscribed to data and research from S&P and Sustainalytics in late 2021 and, more recently, to CDP, we have started to integrate it into our investment process and reporting tools, including the reports mentioned above.

Recent enhancements and priorities for 2023 (continued)

Key issue: climate change
Recognising that climate change is the top responsible investing issue for our clients globally, in 2022 we published a paper describing how we apply our responsible investing principles to climate change (see **Climate Change** section). We also used our Stewardship Report 2021, published in 2022, to disclose our operational carbon footprint for the first time and will continue to do so on an annual basis (including on page 43 of this report for 2022).

Looking ahead to 2023
During the year ahead, the RI team aims to build further on the foundations put in place in 2022.

Our responsible investing analysts will continue to research issues impacting investee companies to help our investment decision makers to integrate those issues into their assessment of intrinsic value, and to examine selected stocks with exposure to environmental, social or governance risks to help identify engagement opportunities.

The team's priorities for 2023 include working on the following projects:

- Continuing to work to fulfil the commitments outlined in our May 2022 climate paper and outlined in Appendix 3.
- Developing and applying frameworks to clarify our thinking on key responsible investing issues.
- Enhancing our processes for engaging with investee companies and voting at shareholder meetings.

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 environmental, social or governance risks, events or conditions (often referred to as "ESG factors"). We place these efforts at the heart of our investment process by requiring our analysts to consider which ESG factors might be material to their assessment of intrinsic value.

Integration into investment decision-making 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 businessperson 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 analysts can concentrate their efforts on only 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 for applying 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 such considerations may extend much further into the future. In these ways, ESG factors can impact our assessment of a company's intrinsic value—and with it our investment decisions, including position sizing.

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 decide not to proceed with an investment idea due to such concerns, we may also find attractive long-term investments when we feel prices overly discount these risks, or do not reflect opportunities related to ESG factors.

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. Participants can also submit questions on such matters for discussion in these meetings. This enables us to think carefully about these issues 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.

Integration into investment decision-making 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 related research is not a tick-box exercise but rather a core element of our bottom-up research process and ongoing monitoring of investee companies. To help analysts identify potentially material ESG factors, they have access to a one-page summary of responsible investing information, mostly sourced from S&P and Sustainalytics.

The diagram in Appendix 1 summarises how we integrate relevant ESG factors into the security selection process. Information on our approach can be found in our Responsible Investing Implementation Statement which can be found on the Investing Responsibly page of our website.

Examples of when ESG factors influenced our investment decisions

The following examples show how ESG factors influenced our investment decisions in 2022. 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.

Decisions not to invest

Our analysts' research of ESG factors informs decisions not to invest as much as it informs decisions to invest. Such examples therefore provide an insight into our approach to integrating thoughtfully that is not evident from a review of portfolio holdings.

We conducted initial research on a US-based aerospace and defense company that was likely to benefit from higher defense spending amid rising geopolitical risks, while a recovery in air travel could also improve profits at its private jet business. Since carbon emissions are much higher for private jets than commercial flights, this may negatively impact customer demand, either directly or as a result of a regulatory response. The potential for private jet demand to disappoint contributed to the decision to focus on other ideas that appeared more undervalued.

We researched a Japan-based diversified chemicals company whose share price did not appear to reflect recent improvements in its earnings power, cash generation and balance sheet strength, resulting in low valuation multiples. Due to its core business generating electricity from in-house coalfired power plants, the company's carbon emissions were well above the average for this high-emitting sector. We rejected this stock idea due in part to the potential for high plant replacement costs and/or lower margins (due to carbon pricing or the need to switch to more expensive power sources) to negatively impact our assessment of intrinsic value.

Decisions not to invest (continued)

We examined a Sweden-based provider of live casino solutions for gaming operators. This high-margin business appeared to have a strong competitive position and long-term growth potential, as the shift to online gambling (especially live casinos) was at an early stage globally. Our research suggested that only a minority of the company's revenues came from players based in markets where gambling is regulated and legal. The risk that revenues may decline and/or the shares may be de-rated contributed to the decision not to proceed with further research.

We started to research a Korea-based e-commerce company whose past investments in logistics created scale and infrastructure advantages that had the potential to drive growth in e-commerce profits, as well as to create opportunities to invest in other online businesses. We noted that senior management's incentives may cause them to put revenue growth before profit growth, while the company's approach to paying suppliers and to employee safety also made us question whether it could sustain its current level of profitability. The above concerns made the potential risk-adjusted return appear less attractive, which influenced the decision not to proceed with additional research.

We researched a Singapore-based operator of video game, fintech and e-commerce businesses. Due to its strong track record of developing popular content, the core gaming business was highly cash generative, helping to fund other businesses with growth potential. But our research highlighted some governance-related issues: the founder's holding was skewed to share options, which may have encouraged excessive risk taking, and a dual-share structure also gave the founder control despite an economic interest of just 11%. We became less optimistic on the prospects for the company's fundamentals after taking into account these and other concerns, and abandoned this stock idea.

We also researched a Thailand-based holding company engaged in a wide range of businesses, including running hotels, restaurants, and retail stores, as well as other real estate investments. The company's shares appeared reasonably priced given its exposure to a potential recovery in Asian travel. Our research revealed declining returns on invested capital due in large part to past capital allocation decisions, especially the high price paid to acquire a Spain-based hotel group. This and other governance concerns (including a complex corporate structure and extensive related-party transactions), as well as the low quality of the company's earnings, made it difficult for us to gain sufficient conviction in our estimate of intrinsic value, and we did not proceed with further research.

Portfolio activity

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:

- **Constellation Energy** is a US electricity producer that mostly generates nuclear power. After its spin-off from Exelon, shares in Constellation traded at a low multiple of normal earnings and a deep discount to replacement cost. Nuclear plants provide power that is reliable, cheap, safe and carbon-free, but also come with tail risk. We felt its earnings had upside potential if electricity prices were to rise, but limited downside from falling electricity prices due to subsidies to ensure constant power production. We established a new position in Constellation in the belief that the outlook for risk-adjusted returns was highly favourable due to a reasonable valuation, subsidy support that reduced downside risk, the potential for future policy changes favouring nuclear power, and the tail risks being much lower than commonly believed.

- **Chesapeake Energy** is one of the largest independent gas producers in the US. The company was highly cash generative at prevailing gas prices. Industry capex had been depressed in recent years amid investor pressure for disciplined capital allocation, and the prospect of disruption in Russian supplies seemed likely to exacerbate the energy supply crunch. We view natural gas as a key transition fuel. Not only is it cheaper than oil and coal per unit of energy produced, but it is also less carbon intensive. After pricing these emissions, gas is very cheap relative to oil and coal. We established a new position in Chesapeake as we believed its shares traded at a very low multiple of our estimate of normalised earnings even though it owned low-cost gas assets at a time when addressing the energy shortage appeared unlikely to be either quick or easy.

As described in our previous Stewardship Report, we established a position in **Sunrun** in 2021 because we felt its share price did not reflect the potential for the company to benefit from an increase in solar penetration from its prevailing level of less than 3% of US homes. We added to the position in early 2022, when a combination of rising interest rates, fears about regulatory changes in California and failed attempts to pass federal legislation put the share price under pressure, and the discount to our assessment of intrinsic value widened. By way of background, 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. We also view the company’s expertise in financing as 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.

Corporate governance concerns contributed to the decision in 2022 to exit the position in **Grupo México**, a Mexico-based holding company with controlling stakes in listed copper mining and railways businesses. Our original thesis was that the company's shares traded at too deep a discount to the sum of its parts. Southern Copper, its key underlying asset, was a low-cost producer with more than 50 years of reserves, and while Chinese copper demand was likely to fall, this would be offset by demand related to the transition to renewables and growth of electric vehicles. Despite benefitting from these opportunities, the presence of a controlling shareholder meant that capital allocation decisions may not have been in the interests of minority shareholders. After learning of the decision to reduce Grupo México’s dividends despite higher dividends at Southern Copper, we decided to sell the position in the stock in order to reallocate capital to higher-conviction ideas.

Case study: Glencore[1]

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 how ESG factors may impact a company's intrinsic value. In this section we use Glencore, a significant position in a number of the Orbis Funds at 31 December 2022, to show how we developed conviction that its shares traded at a discount to intrinsic value despite facing potentially material environmental, social and governance risks.[2]

In last year's Stewardship Report, we discussed British American Tobacco and Jardine Matheson. Both of these companies are still held in the Orbis Global Equity Strategy and the previous commentary remains relevant. Please refer to the **Engage Proactively** section of this report for more details on our ongoing engagements with these companies.

Glencore is a global commodity trading and mining company with a large thermal coal business, operations in jurisdictions that suffer from widespread corruption and problematic human rights issues, an aggressive corporate culture, and a history of legal penalties. Clients often ask us how we integrate these various risks in our assessment of intrinsic value, and Glencore provides an ideal illustration of our approach to responsible investing in practice.

The short answer is that we believe Glencore's future is likely to look different from its past—and this is not fully reflected in the share price. There is a "win-win" opportunity for our clients to benefit from the steps that Glencore is taking to improve, and we have a role to play in holding management accountable. Of course, our assessment may be wrong and/or our engagement efforts may fall short, but we believe Glencore's valuation provides a substantial margin of safety and a compelling risk-reward proposition.

Risk #1: Thermal coal

From an environmental perspective, the most obvious concern is Glencore's exposure to thermal coal (as opposed to the metallurgical variety used for making steel), which is the dirtiest form of power generation. Coal accounted for about 75% of Glencore's 2022 free cash flow (FCF) and 90% of its carbon emissions. Most of these are "Scope 3" emissions, which are not generated directly by Glencore, but when its end-customers burn the coal in power plants.

The challenge facing Glencore is how to balance the environmental concerns inherent in coal with the reality that coal will remain the cheapest and most practical source of electricity in many developing countries for the foreseeable future. Even if coal-heavy countries (such as South Africa) want to stop burning coal, the transition to cleaner power is likely to be expensive and time-consuming, and access to the necessary capital is limited.

[1] On 3 April 2023, Glencore proposed an acquisition of Teck Resources, a Canadian mining company, and a subsequent split into two publicly listed companies—one containing the combined metals assets (MetalsCo) and the other combining the coal assets (CoalCo). Our views in this section focus on Glencore's existing business and may change if the proposed transaction is completed.

[2] We selected Glencore for this case study because out of the significant positions held in the Orbis Global Equity Strategy at 31 December 2022, it had the highest exposure to ESG-related factors that pose potential economic risks for companies, based on data from Sustainalytics.

Case study: Glencore (continued)

Glencore's approach—which we support—is to run down its coal business over time while reinvesting the cash flows into other commodities, such as copper, that are essential for decarbonisation. As CEO Gary Nagle put it on a conference call last year: *"We will not divert from our plan to reduce and responsibly run down our coal business. We have made a commitment to our stakeholders. We have made a commitment to the world. It's right for the world and we will continue down that path. It's not negotiable."*

To that end, Glencore has capped annual coal production, it will no longer undertake new ("greenfield") projects to expand capacity, and more than 95% of coal capex is for sustaining existing facilities. The remaining 5% is limited to "brownfield" extensions. As part of our ongoing research and discussions with the company, we keep a close eye on both coal production levels and capex plans.

Our Responsible Investing team has assessed Glencore's climate plan through the lens of our emissions reduction framework, as shown on page 41 of this report. In 2021, Glencore announced a net zero 2050 commitment that calls for a 50% reduction by 2035 in Scope 1, 2 and 3 emissions relative to 2019 levels. In 2022, total emissions were already 25% below 2019 levels which suggests that Glencore is running ahead of schedule, although it will not be a linear path.

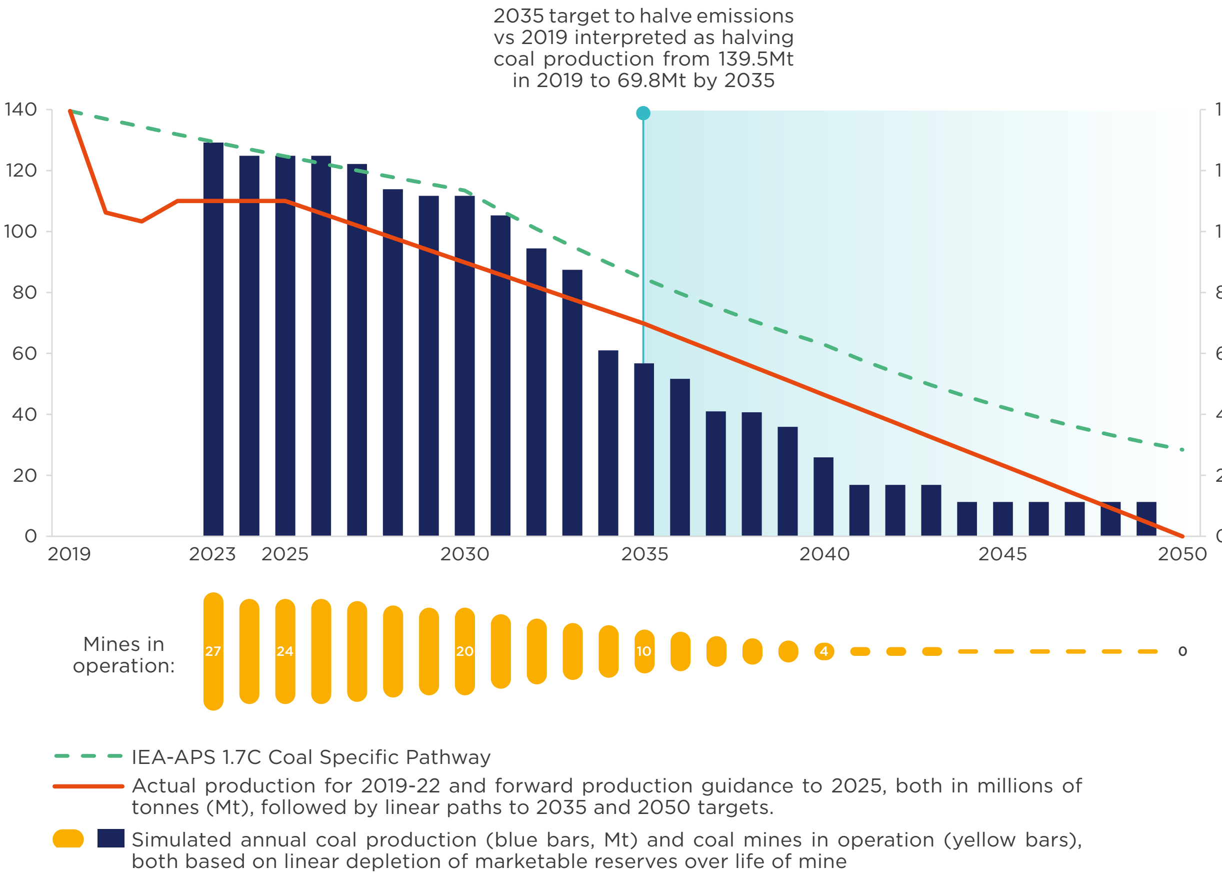
Based on our research and discussions with the company, we consider Glencore's targets to be credible, industry-leading carbon-neutrality goals and they are consistent with an increase of well below 2°C in global average temperatures. In fact, it is noteworthy that Glencore has committed to a Scope 3 target, which is still rare for mining companies.

Importantly, Glencore intends to achieve its climate targets by permanently closing coal mines rather than merely selling them off to others, which is every bit as important to addressing climate change as adding new capacity in renewables. Specifically, Glencore currently operates 27 coal mines, of which three will be closed in the near term, rising to more than half by 2035. Of the mines that will remain after 2035, the average remaining life will be just five years. Most of these mines—and the vast majority of remaining coal reserves—will be located in Australia, and will mainly serve the Asian seaborne market, of which Glencore has a 15% market share.

Case study: Glencore (continued)

Said differently, coal is hardly a growth business for Glencore, but rather one that is destined to become a niche provider of responsibly sourced thermal coal for the handful of markets that will still need it for economic and practical reasons. The process of running down the coal business can be illustrated in the analysis below, which was produced by our Responsible Investing team. The red line shows how coal production would decline from actual historical levels to the company's production targets to 2025 and emissions targets for 2030 and 2050, while the blue bars simulate a decline in existing reserves. In practice, it is unlikely to be a linear path—and will depend on Glencore sticking to its commitments—but the company's targets are well below the pathway that the International Energy Agency views as being consistent with a temperature increase of 1.7°C.

Glencore: projected decline in coal production



Source: IEA, Orbis using information from company reports.

In a sense, there are some parallels between Glencore and British American Tobacco, which was discussed in last year's Stewardship Report. With both coal and tobacco, there are some investors who feel strongly that the products should be banned and that shares of the companies that produce them are untouchable. At the other end of the spectrum, there are investors who feel equally strongly that companies should focus purely on maximising short-term profit. Our view—on both coal and tobacco—is that a "managed decline" in the hands of accountable public owners is in the best interests of society.

Case study: Glencore (continued)

Risk #2: Bribery and corruption

Glencore's roots are in the largely unregulated world of commodities trading that is known for aggressive business practices. Glencore's competitive culture has served the company well in many respects and it remains an important advantage. However, it has also proven to be toxic when operating in jurisdictions where corruption is endemic—and at times Glencore has found itself on the wrong side of the law.

At the end of 2021, Glencore was forced to set aside $1.5 billion—nearly a third of its net income at the time—to settle bribery and corruption charges with authorities in multiple countries. In May 2022, it agreed to pay $1.1 billion in a coordinated settlement in the US, UK and Brazil, and a $311 million fine in the UK. Additional cases are still pending in the Netherlands and Switzerland.

While the financial impact thus far is easy enough to quantify, the much harder task is assessing the risk of *future* incidents. We can never be 100% certain, but we see tangible signs of improvement. All of the senior managers involved have since been replaced, including the previous CEO Ivan Glasenberg. The most problematic issues were related payments to middlemen in exchange for securing mining leases, but this practice is no longer allowed at Glencore. In the wake of the recent judgements, the company has engaged with authorities and is following their remediation requirements. For example, it is required to have independent compliance monitoring by two US law firms—paid for at Glencore's expense—for the next three years, which adds an important layer of oversight. Our discussions with both Glencore management and former employees also point to a strong desire to avoid repeating mistakes of the past. We see no reason why Glencore cannot retain the drive to win that has been a hallmark of its culture while also putting more robust compliance controls in place.

That said, given the extent of Glencore's past legal issues, these risks remain a valid concern and it continues to be an important topic in our ongoing interactions with the company.

Risk #3: Human rights

Generally speaking, mining can have an enormous positive effect on many economies when conducted responsibly. Mines are often large local employers and taxpayers, and they help fund housing, schools, and medical facilities in addition to downstream benefits such as infrastructure and attracting hard currency. But mining is also inherently hazardous work in even the best of circumstances. The risks are even higher when operating in countries where working conditions are poor and child labour is known to be prevalent.

The biggest area of potential concern for Glencore in this regard is its presence in the Democratic Republic of the Congo (DRC). About 70% of the world's cobalt supply comes from the DRC and Glencore is a major producer in the country. There is a long and well-documented history of appalling working conditions in the DRC, including child labour and human trafficking. However, unless battery technology changes, cobalt mining in the DRC will remain essential to the widespread adoption of electric vehicles—and it is critical to ensure that miners in the country behave responsibly.

Glencore does not source its cobalt from so-called "artisanal" mining operations where the worst practices take place, and it has not been accused of wrongdoing. Nonetheless, the company has taken steps to strengthen its supply chain controls. In 2022, Glencore published a new code of conduct for suppliers and responsible sourcing policies. It has also conducted a supply chain risk assessment with the assistance of third-party experts and has put in board-level oversight for these issues. More broadly, Glencore has also leveraged its position as a leading producer to engage with various industry groups to promote responsible mining practices in the DRC and elsewhere. These steps have all been encouraging, but we continue to monitor these risks closely while improving our understanding of the company's approach to managing them.

Case study: Glencore (continued)

Integrating these risks into our assessment of Glencore's intrinsic value

We integrate the risks discussed above into our valuation of Glencore by assuming that coal cashflows trend to zero over time and by valuing the whole business on a lower multiple than would otherwise be appropriate. Even after we have made these adjustments, the prospective return over our investment horizon from owning shares in Glencore—which have tended to trade at a mid-to-high teens free cash flow yield—has compared favourably with that of the global opportunity set. We spend more time than normal engaging with the company's management and board on these issues due to the potential for them to cause a significant impairment in our view of intrinsic value—something we have also factored into our position-sizing decisions.

Put another way, Glencore's low valuation appears to have excessively discounted these risks, perhaps because the issues have been well-chronicled and widely known. Alternatively, investors may have overlooked Glencore's potential to improve and to make a positive contribution—particularly as a critical supplier of metals that are essential for decarbonisation. Its mining business is a major producer of several metals that will be crucial in replacing fossil fuels with renewable sources of energy. These include copper (6% of world supply), cobalt (22%), nickel (5%), and zinc (8%). To put things in perspective, an electric car uses about four times more copper than one that runs on petrol, and wind and solar power use more than double the amount of copper per megawatt than fossil fuel-generated power. Glencore's low-cost copper assets put it in a strong position to benefit from these trends.

In our view, Glencore is a good example of what we like to call a "win-win" opportunity—to borrow a phrase from our Responsible Investing Statement of Principles. When we invested in Glencore in early 2021 it was deeply out of favour. The prevailing view at the time was that it was a "black box" trading business with high tail risk, mines in risky jurisdictions, and unquantifiable legal risks. Rather than walking away from these concerns and leaving them to others, we saw an opportunity for our clients to benefit along with the improvements that Glencore was making. We remain optimistic that its coal assets are being responsibly managed, its governance mistakes are unlikely to be repeated, and its transition metals opportunity is underappreciated.

Glencore is now at a stage where its climate targets are sufficiently ambitious, and its steps to address lingering governance and supply chain concerns have been encouraging. Going forward, we expect to spend less time scrutinising Glencore's plans to improve and more time speaking with management to ensure that they are executing on them. In short, "trust, but verify".

Our approach

Engaging directly with investee companies is an essential part of our research process and of how we exercise our stewardship responsibilities as active owners. Throughout our research process, which continues during the investment holding period, our analysts typically engage company executives to help inform our assessment of intrinsic value and to discuss matters of interest to shareholders.

Our analysts' primary objective when engaging with company executives and directors is to improve their understanding of the company and its business. We believe that responsibility for the day-to-day operations of a company rests with its management, and that we probably have limited value to add in this regard.

From time to time, our analysts may believe that they can contribute to a company's deliberations over its broad strategy or governance. When we invest in businesses perceived to have negative environmental or social impacts, or where we see room for improvement in a company's governance practices, we have a strong preference for engagement over exclusion. When offered the opportunity to engage with companies, we aim to further our clients' interests by sharing ideas that our analysts believe will enhance or preserve shareholder value.

We apply our approach to engagement across all investment markets in which we participate, considering 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, outlines our approach to engaging with investee companies.[3]

Engagement process

A designated analyst, typically an investment team leader, is accountable for each individual engagement. The Responsible Investing team helps to identify, prioritise and execute on engagement opportunities, including setting clear objectives, and also regularly monitors existing engagements.

We generally consider engaging with companies privately to be more constructive than public engagement. Our analysts typically start by raising concerns 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 other board members. If private engagement appears to be ineffective and our analysts continue to harbour material concerns, on rare occasions they may make their concerns publicly known.

Encouraging change at investee companies can take considerable time. We prioritise engagements that we believe are in the interests of our investors based on considerations such as the materiality of the issues involved, the likelihood of success and the expected time and effort required (including any opportunity cost). We typically engage independently but we may join collaborative engagements when we believe it is in the interests of our clients, subject to legal constraints and market practices.

We document engagements internally to ensure proper record-keeping, monitoring and accountability, as well as to enable us to learn from and report on our engagement activities. If engaging with an investee company meaningfully changes our view of how its prospective risk-adjusted return compares to that of other ideas, it will impact our investment decisions.

[3] In 2023, we expect to incorporate this policy document into our Responsible Investing Implementation Statement, at which point the separate Policy on Engagement will be discontinued.

Engagement process (continued)

We do not formally measure the success of our engagement efforts, partly because companies speak to a wide range of internal and external stakeholders and so it is very difficult to prove that a positive outcome was indeed the result of our efforts. Nevertheless, to learn and improve it is important to reflect on whether each individual engagement met the original objective, if any change resulted, the amount of time taken and what we would have done differently with the benefit of hindsight.

Company meetings in 2022

In 2022, our analysts held over 550 meetings with more than 275 investee and potential investee companies.

We discussed environmental, social or governance issues in around 30% of these meetings. Such issues are many and various, and their impact on individual companies is very company specific. The nature of the 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 so we could improve our understanding of its business.

Example of issues discussed in 2022 with companies held in the Orbis Funds include:

- **Climate change:** with AES, Asahi Kasei, BMW, Chesapeake Energy, Constellation Energy, Daiwa House Industry, Drax Group, Glencore, Honda Motor, Inpex, Jardine Matheson, Kinder Morgan, Mitsubishi, Sumitomo, Sumitomo Electric Industries, Taiwan Semiconductor Manufacturing, Teck Resources, Toyota Motor, Westlake and Yamato Kogyo.
- **Employee relations:** with Admiral Group, Dollar General, Ryanair and Taiwan Semiconductor Manufacturing.
- **Board composition:** with Admiral Group, AIB Group, Asahi Kasei, NetEase, Rolls-Royce Holdings, Samsung Electronics, Sumitomo Mitsui Financial Group, Teck Resources, Tsuruha Holdings and Yamato Kogyo.

It is important to note that the above information refers to meetings, rather than engagements to encourage change. For examples of the latter, see the following section.

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 publicly 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 2022.

Even if our engagements provided a helpful perspective for company management, it is impossible to prove that they contributed to specific outcomes. Putting in place a more formal process to identify, prioritise, execute, monitor and assess engagements is a key priority for the Responsible Investing team in 2023. This will enable us to share additional information on our engagement efforts in subsequent Stewardship Reports.

Engagements related to governance issues

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.

We engaged with several 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: not adjusting performance metrics to exclude one-off items that nevertheless represent economic costs for shareholders (UK company); using per-share rather than absolute metrics to better align management's interests with those of long-term shareholders (Japanese company); and making targets sufficiently stretching so as not to reward average performance too highly (US company). In some cases, we welcomed changes that the companies subsequently incorporated into the final remuneration scheme, although we cannot claim credit for that because they seek input on such matters from other shareholders as well.

We spoke to the management of an ultra-low-cost airline to understand the rationale for its decision not to hedge against the potential cost of further rises in fuel prices, an approach taken by most of its key competitors. We shared our view that hedging would mitigate the risks of higher fuel prices eroding the company's competitive advantage, while also allowing management to focus on running the business. The company subsequently announced that it would return to a systemic jet fuel hedging policy. We felt this change was in the interests of long-term shareholders.

Engagements related to environmental or social issues

We met the Executive Chairman and newly-appointed Head of Sustainability of **Jardine Matheson**, a Hong Kong-based conglomerate, to discuss its responsible investing disclosures and approach to specific issues (including coal and palm oil) at its Astra subsidiary in Indonesia. Our objective was to encourage the company to improve its public disclosures (including carbon emissions) and to improve our understanding of its approach to the specific issues at Astra. Company executives outlined their intention to improve the company's responsible investing disclosures and it subsequently published its first Sustainability Report in mid-2022. Astra also set emissions-reduction targets for 2030. We believe the company made some good progress in 2022, although this engagement was ongoing at 31 December 2022.

In 2021, we met and wrote to the incoming Chairman of **British American Tobacco**, a leading international tobacco company, to encourage him to ensure the company 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. We also expressed our intention to engage with the company on specific matters of concern when the need arises. Given how vape marketing in Europe had become increasingly youth focused, in 2022 we met with and then wrote to the company's CEO to commend the company's stance in not bending its advertising message to resonate with teens. We urged the company to stay well on the right side of the line of responsible marketing, even if this means ceding market share to those who come closer to that line. This engagement was also ongoing at 31 December 2022.

In the spirit of constructive engagement, we contacted the six companies held in the Orbis Global Equity Strategy at 30 June 2022 that did not disclose Scope 1 and 2 emissions to encourage them to do so.[4] Two companies confirmed their intention to disclose this information in 2023, while others said they were either gathering the information or discussing how and when to disclose it.

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 several 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.

We met with the management of a Japanese trading company ahead of its annual meeting to understand why they recommended voting against two climate-related shareholder resolutions. In addition to informing our voting decision, these discussions helped us form a view on whether the companies were taking appropriate steps to address climate-related risks and allowed us to share our views on where they may have opportunities to improve. We voted against the resolutions. Both called for changes to the Articles of Incorporation, which may impede management's effective running of the business. Also, we were comfortable with each company's progress in addressing climate risks.

[4] See the **Climate Change** section for more information on Scope 1 and 2 emissions, and Appendix 3 for a summary of our climate commitments.

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 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 2022. 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) to speak with Vale, an iron ore producer, and local communities in Brazil about 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.

Our approach

Voting rights are an important benefit to equity investors. Exercising those rights as active owners is an important part of our role as stewards of our clients' capital.

Our guiding principle in voting the Orbis Funds' shareholdings 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 Funds and their investors. We believe a principles-based approach affords us greater flexibility to meet this objective. This is why we have no predetermined rules and do not just "tick the boxes".

Proxy voting process

We believe that an investment manager should not delegate its voting decisions. Accordingly, we do not outsource such decisions to a third-party proxy adviser—just as we would never delegate investment decisions to a third party. Instead, a designated analyst—typically the analyst closest to the investee company—is responsible for making voting decisions. This ensures analysts are actively engaged in the voting process, in keeping with our investment philosophy and responsible investing principles.

Orbis' proxy voting administrators receive notifications of upcoming shareholder meetings from our third-party proxy voting administrator, Glass Lewis. After reviewing the notification, a proxy voting administrator uses our internal proxy voting system to send information about the meeting to the designated analyst.

Prior to making voting decisions, the designated analyst reviews relevant proxy voting materials and determines whether each resolution to be voted on is in the interests of the Orbis Funds. They have access to analysis and voting recommendations from Glass Lewis, a leading global provider of proxy research, and to the views of our responsible investing analysts and Legal team.

They may also consult with one or more of our investment team leaders, such as when considering a contentious matter or proposing a vote against management's recommendation. When appropriate and practicable, they may speak directly to a company's management or board members to share perspectives. 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.

When the designated analyst or our internal proxy administrator considers it appropriate, the head of the investment team will review these decisions prior to Orbis giving voting instructions.

Our preference is to vote either "For" or "Against" a resolution. Occasionally, we may "Abstain", such as when information is lacking or where we believe 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 the Orbis 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. Voting mechanics and associated costs may make it impossible at times, and at other times disadvantageous or impractical, to vote proxies in every instance.

We follow a uniform process across all investment markets in which we participate, although investment teams may adopt additional policies and procedures 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.[5]

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

Orbis Global Equity: voting record in 2022[6]

During the year, we voted:

on **1,274** resolutions[7]

at **88** meetings

for **80** companies

Of these:

- **3%** of votes were against management's recommendation
- We voted against management at least once at **24%** of companies
- **2%** of our votes were abstentions

Proposals type	Votes with management's recommendation	Votes against management's recommendation	
	#	#	%
Audit/Financials	149	3	2
Board related	719	19	3
Capital management	93	11	11
Changes to company statutes	45	0	0
Compensation	107	4	4
Mergers & acquisitions	24	0	0
Meeting administration	20	0	0
Other	9	2	18
Shareholder resolutions			
Compensation	3	1	25
Environment	5	0	0
Governance	5	1	17
Misc	1	0	0
Social	14	0	0
Total	**1,194**	**41**	**3**

In 2022 we submitted votes for Orbis Global Equity at 99% of possible meetings. Appendix 2 contains 2022 voting records for our other Orbis Strategies. The rest of this section is relevant for those Strategies because our voting decisions for individual meetings were the same for all Orbis Strategies and the Funds within them.

[6] Data is for a representative account for the Orbis Global Equity Strategy, sourced from Glass Lewis.
[7] Includes some votes that are 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, the appointment of its auditors and changes to its statutes. In most other cases, we would usually expect to support management's voting 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, Orbis Global Equity did not support management's recommendation for 3% of votes in 2022.

Authority to issue new shares

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 without preemption rights. All 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**, **Grupo México**, **Naspers**, **Olam Group** and **Prosus**.

Board appointments

We voted against the re-election of the chairman of the board at **Kusuri No Aoki Holdings** due to concerns that the past decision to issue share options to management on very favourable terms and without seeking the approval of shareholders was not in the interests of all shareholders. We also voted against the election of another director given his association with a group that controlled one of the company's largest competitors.

We voted against board appointments at **Comcast** and **Fomento Económico Mexicano** due in part to concerns about the long tenure of these directors.

In the case of **Sumitomo Mitsui Financial Group**, we voted against the election of a director with oversight responsibilities for SMBC Nikko, a group company involved in a market manipulation scandal. We also voted against the appointment of another director who we felt was not sufficiently independent, especially given his role as a member (and Chair) of the Audit Committee.

Executive compensation

We did not support votes related to executive compensation when we felt there was insufficient alignment between a company's compensation practices and the long-term interests of its shareholders.

More specifically, we voted against the remuneration report at **Continental** because we felt the performance targets were undemanding and poorly structured. We voted against the remuneration report at **Newcrest Mining** after concluding that the remuneration scheme was ineffective and misaligned due to our concerns about the metrics used to assess performance and the quantum of compensation relative to business performance. In the case of **Chesapeake Energy**, we abstained from an advisory vote on executive compensation because we felt the quantum of compensation was too high relative to business performance due to a high sensitivity to commodity prices, a factor outside management's control. We decided not to vote against this proposal because we were satisfied with the overall compensation structure.

Shareholder resolutions

Shareholder resolutions are proposals submitted by shareholders rather than by the company. For this reason, management will typically recommend voting against the resolution. Such proposals tend to relate to environmental, social and governance issues, as shown in the table on page 25.

We voted in favour of a shareholder proposal to lower the threshold for calling a special meeting of shareholders at **Walt Disney**, as we felt the existing threshold was unreasonably high. While we believe it is important for a meaningful minority of long-term shareholders to have a mechanism to call a special meeting, proposals of this nature can allow a single shareholder to do so. We therefore evaluate them on a case-by-case basis and voted against similar proposals at **Arconic**, **Fleetcor Technologies** and **Global Payments**.

Even if we support the broad thrust of a resolution, we may vote against it if we believe it is poorly designed. For example, we voted against shareholder proposals at **Mitsubishi** and **Sumitomo Mitsui Financial Group** calling for both companies to amend their Articles of Incorporation to include a requirement to set and disclose a business plan with short- and mid-term targets to reduce greenhouse gas emissions in a manner aligned with the Paris Agreement. In each case, we felt that changing the Articles of Incorporation may have impeded management's ability to run the business effectively. Nevertheless, the fact that these proposals were on the annual meeting agenda meant we were able to speak to both companies about their approach to managing climate-related risks, including sharing our feedback, before making our voting decision.

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—being those relating to companies in which the Orbis Funds' combined voting rights exceeded 8% of the total and we voted against management's recommendation or against a shareholder resolution.[8]

We used a 10% threshold in previous years but lowered it to 8% for 2022 because we did not vote against management's recommendation or against a shareholder resolution for any votes at the three meetings in that year where the Orbis Funds' combined voting rights exceeded 10% of the total.

In 2022, the Orbis Funds made the following "most significant" votes against shareholder resolutions at **XPO Logistics** that Glass Lewis recommended supporting.

- Proposal to require the company to provide an annually updated report regarding its lobbying activities. We consider it beneficial to have transparency into such issues but in this case, we agreed with the company's view that the additional annual disclosures required under the proposal would represent an unnecessary expenditure of resources, especially given XPO's limited participation in public policy making and the fact that the company already complied with public reporting requirements.
- Proposal that the company seek shareholder approval for severance payments to senior managers exceeding 2.99 times the sum of salary and short-term bonus. We were satisfied that XPO's Compensation Committee was fulfilling its role to ensure that compensation arrangements, including severance payments, appropriately aligned the interests of management and shareholders. We also felt it would be difficult for the company to implement this proposal because it did not specify which employees' severance arrangements would be subject to the limit and nor did it define "senior managers".
- Proposal for the company to oversee a third-party audit analysing the adverse impact of its policies and practices on the civil rights of stakeholders. We voted against this proposal because we felt the company was already taking sufficient actions to reduce risk in this important area and to report on them.

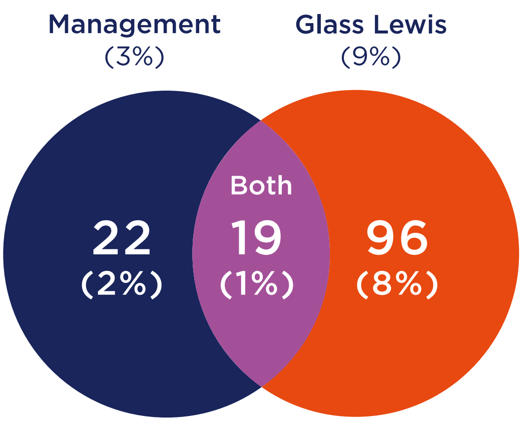
The Orbis Funds made an additional "most significant" vote against a shareholder proposal at **Arconic**'s annual meeting that Glass Lewis also recommended supporting. This proposal sought to lower the threshold for calling a special meeting of shareholders to 10% of outstanding shares (from 25%) and to eliminate the requirement for those shares to have been continually owned for at least one year. We voted against this proposal because the nature of the company's existing shareholder base meant that it would have allowed two large, passive investors to call a special meeting that may not be in the interests of all shareholders.

[8] Under Article 3g(1)(b) of the Shareholder Rights Directive II (Directive (EU) 2017/828) and COBS 2.2B.7, 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 Funds' holdings in the same companies given that (i) those are held across the 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 2022, we voted in line with management's and Glass Lewis' recommendations for nearly 90% of resolutions.

Votes Against Recommendation by



Includes shareholder resolutions and abstentions. Percentages shown are a total of votes submitted.

Glass Lewis takes a rules-based approach to making voting recommendations—quite reasonably given the size of its research universe. On several occasions in 2022, we concluded that the strict application of these criteria was not in the interests of our clients.

As described in the **Engage Proactively** 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 voted in support of advisory votes on executive compensation (and against the Glass Lewis recommendation) at **Fleetcor Technologies**, **Global Payments** and **Howmet Aerospace**. In each case, we felt that the interests of management were appropriately aligned with those of shareholders even if, in some respects, their compensation practices differed from what Glass Lewis considered best practice. We also voted in support of management (and against the Glass Lewis recommendation) by voting against the shareholder resolutions at **Arconic**, **Fleetcor Technologies**, **Global Payments** and **XPO Logistics** described previously.

In instances where we voted against management's recommendation, we agreed with Glass Lewis just under half of the time. Of these 22 votes, nine related to the election of board members (including those at **Comcast** and **Sumitomo Mitsui Financial Group** discussed previously), two were votes on executive compensation (at **Continental** and **Newcrest Mining**), two were shareholder proposals at **Walt Disney**, and two gave management authority to issue shares without preemptive rights (including at **Naspers**).

Only rarely did Glass Lewis recommend abstaining. Around one third of our votes against management and Glass Lewis were abstentions, including the one on executive compensation at **Chesapeake Energy** discussed previously. Our votes against proposals to give management of **British American Tobacco** and **Prosus** the authority to issue new shares also fell into this category, as did those against director appointments at **Kusuri No Aoki Holdings** and **Fomento Económico Mexicano**.

Applying our responsible investing principles to climate change

Climate change brings risks, opportunities and responsibilities for investment managers. At Orbis we support the objective (set out in the Paris Agreement) of holding 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 the actions we take as stewards of our clients' capital and how we conduct our own operations (see page 43).

Last year, we published a paper describing how we apply our responsible investing principles to climate change. This paper aims to help clients understand how we integrate climate-related risks and opportunities into our investment decision-making process and our role as active owners. In it, we set out a series of commitments in recognition of the important stewardship role that we play. See Appendix 3 for a summary of these commitments and the progress we have made towards fulfilling them, helped by continuing to build our climate-related knowledge and capabilities.

Our approach

Integrate thoughtfully

Every analyst independently considers whether climate-related risks and opportunities are relevant to their assessment of a company's intrinsic value as part of their bottom-up research. In doing so, they take a broad view that considers the wider industry context and supply chain. 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 may extend much further into the future. Before investing, a Policy Group Meeting provides the opportunity for rigorous peer review of potentially-material climate-related risks and opportunities, including any that the analyst has not yet identified. In these ways, such considerations can impact our assessment of a company's intrinsic value—and with it our investment decisions, including position sizing.

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 to customers in a way that produces lower emissions. Similarly, the transition to a low-carbon economy may present opportunities for companies, and we may buy stocks if we feel their valuations do not reflect this potential. We apply our best judgement in forming a view on climate-related matters, while recognising that these are complex, nuanced issues, and that we may be proven wrong. We provide examples of how climate-related considerations impacted our investment decisions in 2022 on pages 11 to 13.

Active ownership

We believe that in most cases, engagement is likely to be more effective than divestment in encouraging companies to tackle climate change and reduce real-world emissions. In line with our climate commitments, when we believe a high-emitting investee company is not on an appropriate path towards reducing its emissions in line with a global average temperature rise of less than 2°C (preferably 1.5°C), we will engage with company management. We recognise that company management is best placed to determine the appropriate steps for a company to take. As a result, the primary aim of our initial engagement is to improve our understanding of the company's perspective, as well as the needs of the society in which it operates, while also sharing any concerns we may have. This enables us to develop a better-informed view of whether the company is responding adequately to climate-related risks.

If our concerns persist, we will consider escalating our engagement efforts and may also 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 believe that walking away if the most responsible thing to do, we will look to sell the position.

We have developed a framework to assess the efforts that high-emitting investee companies are making to reduce their carbon emissions. The framework considers a mosaic of metrics to help inform our assessment of each company's progress. We use the findings to inform our efforts to integrate thoughtfully and engage proactively, as well as to help us monitor progress at investee companies and report back to clients. On page 41 we present the results for 14 high-emitting companies held in the Orbis Global Equity Strategy at 31 December 2022. We expect to refine our approach over time, as both industry frameworks and our own thinking evolve, and we welcome all feedback from clients.

Examining the carbon emissions and intensity of the holdings in Orbis Global Equity[9]

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. We continue to believe that the best way for clients to develop such an understanding is for us to explain how we think about those risks at the individual company level.

With that objective in mind, we use two metrics (described on the next page) to identify the high emitters within the 31 December 2022 portfolio of our largest strategy, Orbis Global Equity: weighted average carbon intensity (WACI) and owned emissions.

While this is a helpful way of identifying holdings that may have above-average climate risk, we are cautious of focusing too much on current emissions when there is still a way to go to develop low-carbon technologies for high emitting and hard-to-abate sectors whose products are essential to wider society. Also, these metrics do not consider counterfactuals, such as the impact on global emissions if a company were to cease operations.

Human activities, principally through emissions of greenhouses gases (GHG), have unequivocally caused global warming, leading to a significant rise in the global surface temperature.[10] 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 on the company's premises, from its 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 emissions from the generation of electricity purchased from the national grid.
- Scope 3 emissions are all other indirect emissions throughout the company's value chain, both upstream and downstream.[11] 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), a global organisation formed to develop a set of recommended climate-related disclosures, recommends Scope 1 and 2 emissions as the minimum level of disclosure by companies.

[9] Data in this section is for a representative account for the Orbis Global Equity Strategy.
[10] IPCC, 2023: Climate Change 2023: AR6 Synthesis Report.
[11] Since Scope 2 and 3 emissions are indirect, one company's Scope 2 and 3 emissions will be another company's Scope 1 emissions, resulting in double counting.

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* to adjust for a company's size. For asset managers, the TCFD identifies weighted average carbon intensity (WACI, defined below) as a metric which allows for a more meaningful comparison between companies and investment strategies. WACI has several limitations but can play a useful role in identifying which stocks may have a higher exposure to climate-related risks.

WACI is calculated as the weighted average of the carbon intensity (the sum of Scope 1 and Scope 2 emissions divided by revenue) of each company held in the portfolio. Each company is weighted by its proportion of the portfolio's net asset value. A 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. But also has some obvious shortcomings, including:

- Carbon intensity can vary significantly over time if revenue is subject to cyclicality.
- It may favour (or penalise) companies where revenue is structurally high (or low) relative to the activity that generates Scope 1 and 2 emissions.
- Similarly, within industries it may favour companies with high pricing levels relative to peers.
- It excludes Scope 3 emissions.

Owned emissions

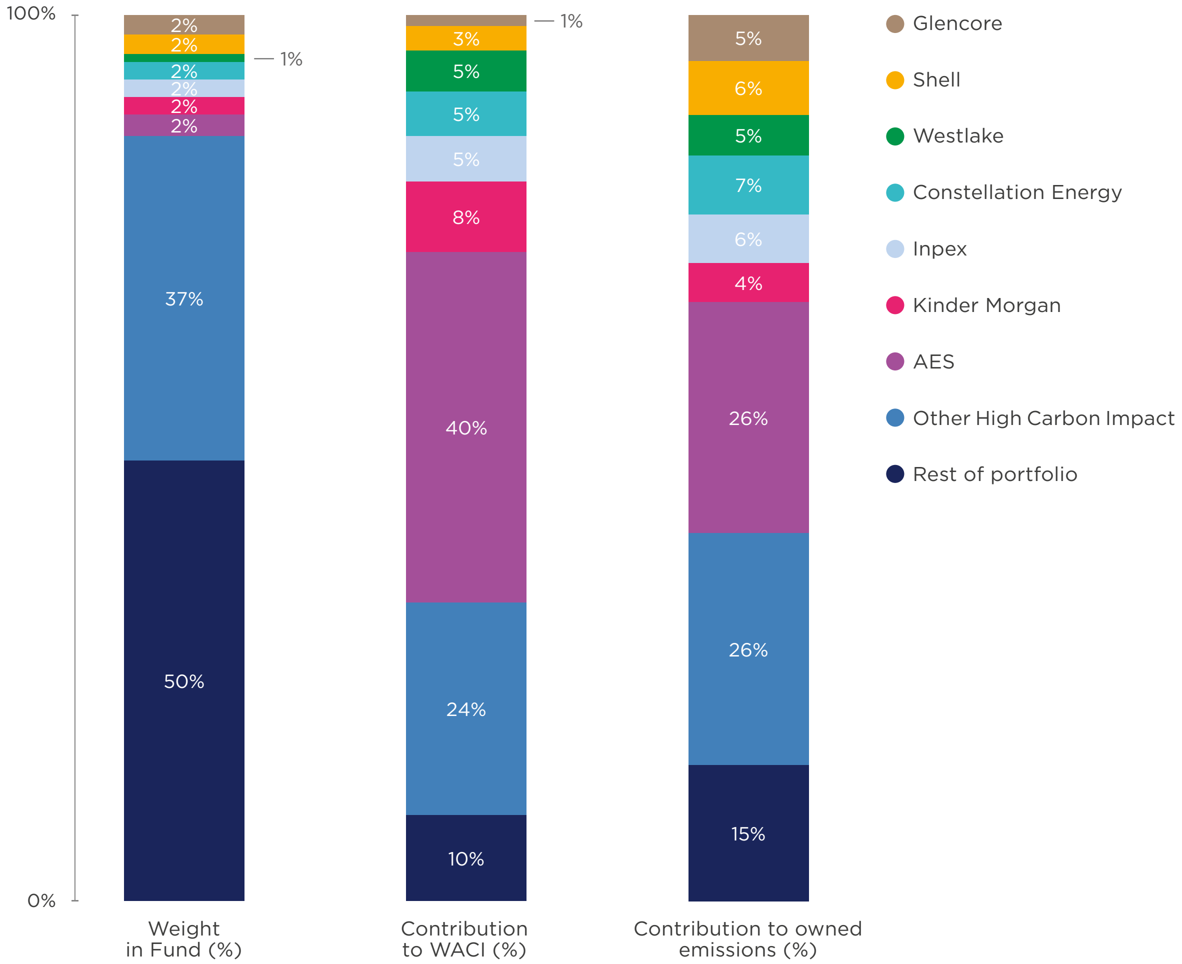
Another way to assess which holdings may have the highest exposure to climate-related risks is to examine the absolute level of emissions essentially "owned" by the portfolio. For instance, if the portfolio holds 1% of a company, it owns 1% of its Scope 1 and 2 emissions. It is absolute emissions that need to fall to have a real-world impact on climate change, and this approach (defined below) 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 above.

Owned Emissions is calculated by taking the value of the portfolio's holding in each company as a proportion of its enterprise value including cash (EVIC) and multiplying it by that company's total Scope 1 and 2 emissions to give the proportion of that company's emissions "owned" by the portfolio. EVIC is calculated using market capitalisation as at the reporting date, and debt and minorities' interest as at the closest fiscal year end. EVIC data is compiled from an internal research database and subject to subsequent revision due to changes in methodology or data cleaning.

Top contributors to portfolio carbon emissions and intensity

The chart below shows the top-five contributors to Orbis Global Equity's WACI or owned emissions at 31 December 2022 (seven companies in total, due to overlaps), and also breaks out other High Carbon Impact stocks (defined below) from the rest of the portfolio.

High Carbon Impact stocks 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.[12] The definition aligns with that used by the Net Zero Investment Framework.[13]



Data source: ©2023 S&P Trucost Limited ("Trucost"), an affiliate of S&P Global Market Intelligence. Data above is as at 31 December 2022 and includes Scope 1 and Scope 2 emissions. Includes estimated and reported emissions data. Rest of portfolio includes net current assets (for example, cash and receivables) of 2% of net asset value, and holdings which do not have any available data (2% of net asset value). An individual company's contribution to the portfolio's carbon intensity and owned emissions may therefore be over or understated.

In aggregate, the seven holdings broken out individually in the above chart accounted for 65% of the portfolio's WACI and around 60% of its owned emissions, despite having a combined weighting of less than 15% of net asset value. **AES** was by some distance the biggest contributor to the total WACI (40%) and owned emissions (26%), despite being just a 2.4% position. No other stock contributed more than 10% of the total, using either metric.

[12] The Transition Pathway Initiative is a global initiative that assesses companies' preparedness for the transition to a low-carbon economy. It focuses its assessments on companies in 16 sectors that contribute most significantly to GHG emissions. Climate Action 100+ is an investor-led initiative to that aims to engage with the world's largest corporate GHG emitters to encourage them to take necessary action on climate change. It has selected 166 focus companies for engagement.
[13] https://www.iigcc.org/resources/net-zero-investment-framework-implementation-guide

Top contributors to portfolio carbon emissions and intensity (continued)

We outlined our detailed thinking on the climate-related risks at **AES** in our Stewardship Report 2021. We continue to believe that the company can complete its ongoing transformation into a clean energy company and that this potential was not reflected in its share price as at 31 December 2022. Given the importance of this transition to our investment thesis, in 2022 our Responsible Investing team independently reviewed the company's decarbonisation plan, concluding that it appeared aligned with best practice and was on track. The company appears committed to decarbonisation as a strategic imperative for financial performance, customer and employee retention (and growth), and as a way of unlocking new pools of investors. It is important to note that although it will not reflect directly in a reduction in AES' emissions, several of its investments (Fluence, Uplight, 5B) make substantial contributions towards enabling the transition to a low-carbon economy.

Kinder Morgan is among the largest midstream energy operators in North America, using 83,000 miles of pipelines and 143 terminals to transport oil and gas (predominantly gas). These energy infrastructure assets are key enablers of the energy transition, supporting the move from coal to lower-emitting natural gas, and increasingly distributing renewable natural gas and responsibly sourced gas. We believe the world's carbon footprint would be larger if these assets did not exist or were managed by a less responsible operator. The shift from coal to natural gas also reduces air pollution, bringing significant public health benefits.

Most of Kinder Morgan's Scope 1 and 2 emissions result from the combustion of fuel (mostly natural gas) to power compressors that generate the pressure required to push product along its pipelines. Methane leaks, its other main source of emissions, are among the lowest in its peer group relative to throughput volume (as are Scope 1 and 2 emissions in aggregate). The company is investigating economically and operationally feasible solutions to reduce emissions at its compressor stations. These include modernisation by electrification, but the "always ready" requirement of compressors calls for reliable power which is not necessarily guaranteed by the power grid. Also, in areas where grid electricity is coal fired, electrification would not reduce emissions. While the company's emissions are high relative to its revenues (hence its leading contribution to WACI), they are smaller relative to pipeline throughput. Together with the monopoly position held by its pipelines in many regions, this means it would be able to pass the associated carbon costs onto its customers relatively easily should regulations change (something we consider unlikely).

Being part of the fossil fuel value chain whose growth prospects are perceived as limited by the market, shares in Kinder Morgan trade at valuations we consider very undemanding. We expect the company to steadily increase its cash flows in real terms over our investment horizon, while playing a key role in providing reliable baseload power for intermittent renewable sources for many years to come and using its pipelines to help grow the market for low carbon fuels (e.g. carbon capture and storage). If this becomes more widely appreciated by investors, there is also the potential for a valuation re-rating.

See page 13 for a summary of our investment thesis for **Constellation Energy**, page 14 for our views on climate-related risks at **Glencore**, and our Stewardship Report 2021 for our thinking on **Inpex** in this context, which is broadly unchanged.

Portfolio-level emissions

In recognition of the growing need from clients and regulators to measure and report on climate-related exposures of our portfolios, in this section we examine portfolio-level emissions for Orbis Global Equity. These metrics are the output of our bottom-up decisions and are not something we actively manage.

Orbis Global Equity holds a highly concentrated portfolio of stocks. Since Scope 1 and 2 emissions are not distributed evenly among the companies in its investible universe, changes in the portfolio's holdings in a handful of high-emitting companies can drive large movements in portfolio-level emissions that will therefore fluctuate with changes in the investment opportunity set.

We have not set formal emissions reductions targets at the portfolio level. With 2050 being so far in the future, interim targets (e.g. for 2030) are important in creating some accountability among company management for reducing emissions in their own operations and supply chain. But we believe a highly concentrated portfolio of listed equities is different from an operating company (or an asset owner investing across asset classes). Interim targets may force the managers of such portfolios to sell shares in companies that have relatively high carbon emissions regardless of their market value—even if they are on a path aligned with the objective of holding the increase in the global average temperature to well below 2°C (preferably to 1.5°C) above pre-industrial levels. It could also prevent us from investing in a high-emitting company whose shares trade below our assessment of intrinsic value, and then engaging to express our view that the company should accelerate its efforts to reduce emissions.

This is why our focus is at the individual company level, and on developing the knowledge and tools to help us fulfil our climate-related commitments outlined in Appendix 3.

Orbis Global Equity: WACI

The following chart showing the WACI for Orbis Global Equity over time illustrates how changes at the individual stock level can cause significant volatility in WACI at the portfolio level.

Data source: ©2023 S&P Trucost Limited ("Trucost"), an affiliate of S&P Global Market Intelligence. Data above includes Scope 1 and 2 emissions, and includes estimated and reported emissions data. 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. The Fund does not have a WACI target. Where available, we use emissions data and revenue for the financial year end closest to the report date. Where this is not yet available, we use the most recently available date.

*Includes the following companies not owned at 31 December 2018 or 31 December 2020 that we identified as top contributors in the previous chart: AES, Kinder Morgan, Constellation Energy, Westlake, Shell and Glencore.

Orbis Global Equity's WACI fell from 2018 to 2020 due primarily to our decision to reduce and eventually eliminate the position in Korea Electric Power Corporation, a generator and distributor of electricity which contributed 40% to the portfolio's WACI at 31 December 2018. The subsequent uptick in the WACI was largely driven by our decisions to establish a small position in AES in 2021 that we added to in 2022, and new positions in companies that were leading contributors to WACI and owned emissions at 31 December 2022, as shown on page 34.

Orbis Global Equity: WACI (continued)

One way to remove the influence of changes in portfolio holdings is to hold portfolio position sizes constant and examine the recent change in carbon intensity at these investee companies. As shown in the table below, the "constant weight WACI" for Orbis Global Equity has fallen by 7% in the last two reporting periods.

	Constant-weight WACI: Scope 1 and 2 emissions for the 31 Dec 2022 portfolio, as reported		
	Two years prior	One year prior	Most recently
Orbis Global Equity	258	288	241
Cumulative change		*+12%*[14]	*-7%*
MSCI ACWI	153	135	151
Cumulative change		*-12%*	*-1%*

Data source: ©2023 S&P Trucost Limited ("Trucost"), an affiliate of S&P Global Market Intelligence. MSCI ACWI stands for MSCI All Country World Index. WACI is measured in tonnes of CO_2e per US$M of revenue. Constant-weight WACI is calculated by taking the position sizes in the portfolio at 31 December 2022 and then using the WACI reported by each investee company for the past three years.

The biggest driver of this 7% reduction was the 16% decline in AES' Scope 1 and Scope 2 emissions during that time. By contrast, the WACI of the MSCI ACWI was broadly flat in the two years to 31 December 2022.[15]

Orbis Global Equity: owned emissions

As at 31 December 2022, Orbis Global Equity's owned emissions (Scope 1 and 2) were around 120,000 tonnes of CO_2-equivalent emissions, or 96 tonnes per $1m invested in this representative account. That compares with 50 tonnes a year earlier, with the increase largely due to the decisions to add to the position in AES and to establish new positions in Constellation Energy, Shell and Glencore, all of which were leading contributors to the portfolio's owned emissions, as shown in the chart on page 34.

Holding constant the position sizes of the seven stocks identified in that chart, their aggregate owned emissions decreased by a cumulative 14% in the last two reporting periods, based on emissions data obtained from company reports. The main contributors to this decline were AES, Inpex and Shell, each of whose Scope 1 and 2 emissions fell by more than 15% during that time.

[14] Kinder Morgan was the main driver of this increase. When the company first reported company-wide emissions (for 2020), it also reported data for the two previous years (2018 and 2019). Our data provider, S&P, has not updated its previous estimates of Kinder Morgan's emissions for 2018 and 2019 to reflect the data that the company subsequently reported. These estimates were substantially lower than the actual reported emissions, resulting in a large jump being seen from two years prior to one year prior. This serves to illustrate some of the ongoing issues with obtaining accurate and reliable portfolio-level emissions data in an efficient manner. It also suggests that the cumulative reduction in the constant-weight WACI is likely larger than 7%.

[15] We did not hold portfolio position sizes constant for the MSCI ACWI because changes to the weightings of individual position sizes are much less dramatic than for Orbis Global Equity. As a result, the table above does not provide a strict like-for-like comparison.

Exposure to High Carbon Impact stocks

We recognise that the above analysis does not consider Scope 3 emissions, which can dwarf Scope 1 and 2 emissions for a lot of companies. 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 we adequately consider the Scope 3 emissions associated with our portfolio despite their limited disclosure, we look at which investee companies within the portfolio are High Carbon Impact stocks, as defined on page 34.

The table below shows the above-1% holdings of a representative account for the Orbis Global Equity Strategy that were High Carbon Impact stocks, together with the aggregate exposure to each sector of the portfolio and MSCI ACWI.

	Sector	Orbis Global Equity (%)	MSCI All Country World Index (%)
Transition Pathway Initiative (TPI)	**Oil and Gas**	**10.0**	**4.9**
	Shell	2.2	
	Inpex	2.0	
	Kinder Morgan	2.0	
	Chesapeake Energy	1.7	
	Other Industrials	**7.8**	**8.1**
	Howmet Aerospace	2.3	
	Sunrun	1.8	
	Samsung Electronics	1.7	
	Bae Systems	1.3	
	Electricity Utilities	**4.4**	**2.5**
	AES	2.4	
	Constellation Energy	2.0	
	Coal Mining	**3.1**	**1.7**
	Jardine Matheson Holdings	2.0	
	Autos	**2.5**	**1.6**
	BMW	1.8	
	Diversified Mining	**2.2**	**1.0**
	Glencore	2.2	
	Chemicals	**2.0**	**1.7**
	Asahi Kasei	1.1	
	Steel	**1.1**	**0.4**
	Vale	1.1	
	Aluminium	**0.6**	**0.0**
	Airlines	**0.4**	**0.1**
	Pulp and Paper	**0.0**	**0.0**
	Shipping	**0.0**	**0.1**
Other	**Banks**	**15.3**	**6.6**
	Sumitomo Mitsui Financial Group	4.2	
	ING Groep	2.9	
	Mitsubishi UFJ Financial Group	2.3	
	KB Financial Group	2.2	
	Resona Holdings	1.2	
	Real Estate	**0.9**	**0.2**
	Climate Action 100+	**0.0**	**4.1**
	Total	**50.3**	**33.1**

Source: Orbis, MSCI. Data is as at 31 December 2022. High Carbon Impact stocks with <1% exposure had an aggregate weight of 10%. They are included in the 50% 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.

Using our emissions reduction framework to assess high-emitting companies

We have developed a framework to help us build a broad perspective of the progress high-emitting companies are making to reduce emissions in line with an increase in the global average temperature of well below 2°C (preferably 1.5°C). The framework also enables us to identify potential opportunities to engage with companies on topics such as disclosure and near- or long-term targets, as well as to understand management's perspective on whether the company is on an appropriate path.

The mosaic on the following page contains our assessment of companies held in Orbis Global Equity as at 31 December 2022 that were top-five contributors to WACI or owned emissions, or were among the stocks that collectively accounted for the top 80% of owned emissions and were positions above 1% of NAV. All except for XPO are High Carbon Impact stocks. To capture large positions where most emissions may fall in Scope 3, we also added the two biggest positions in High Carbon Impact stocks not included already. These are both banks (Sumitomo Mitsui Financial Group and ING Groep), which provides greater sector breadth.

Our emissions reduction framework draws on principles from leading industry frameworks: the Net Zero Investment Framework, the Transition Pathway Initiative and Climate Action 100+ Benchmark. Rather than focusing on a single metric, our framework considers a mosaic of metrics falling into categories such as reporting of emissions, targets and emissions performance. This allows us to form a balanced view of a company's progress.

Framework to assess emissions reduction efforts of high-emitting companies

The following table contains our assessment as at March 2023 based on publicly available information.

Sector	Company	Reporting of emissions			Targets			Emissions performance (from 2019 base)		Management and oversight	Risk management
		Reporting of Scope 1 and 2 emissions	Reporting of relevant Scope 3 emissions	Reporting quality	Long-term Scope 1 and 2 targets	Near-term Scope 1 and 2 targets	Target quality	Trend in absolute emissions	Trend in emissions intensity (based on revenue)	Remuneration linked to climate metrics*	Scenario analysis and TCFD reporting
Coal Mining	Glencore	Substantially all	Substantially all	Independently assured	1.5 degrees	1.5 degrees	Science-based	Decreased	Decreased	Yes - ST and LT	Scenario analysis and/or TCFD supporter
Electricity Utilities	AES	Substantially all	Substantially all	Independently assured	1.5 degrees	Less than 2 degrees	Not science-based	Decreased	Decreased	Yes - ST or LT	Scenario analysis and/or TCFD supporter
Electricity Utilities	Constellation Energy	Substantially all	Substantially all	Independently assured	1.5 degrees	1.5 degrees	Science-based	Decreased	Decreased	None	None
Oil & Gas	Chesapeake Energy	Substantially all	Substantially all	Independently assured	1.5 degrees	1.5 degrees	Science-based	Decreased	Decreased	Yes - ST or LT	Scenario analysis and/or TCFD supporter
Oil & Gas	Inpex	Substantially all	Substantially all	Independently assured	1.5 degrees	Less than 2 degrees	Not science-based	Decreased	Decreased	Yes - ST and LT	Scenario analysis and/or TCFD supporter
Oil & Gas	Kinder Morgan	Substantially all	None	Independently assured	None	None	None	Increased	Decreased	Some linkage	Scenario analysis and/or TCFD supporter
Oil & Gas	Shell	Substantially all	Substantially all	Independently assured	1.5 degrees	1.5 degrees	Science-based	Decreased	Decreased	Yes - ST and LT	Scenario analysis and/or TCFD supporter
Other Industrials	Asahi Kasei	Substantially all	Substantially all	Independently assured	1.5 degrees	Less than 2 degrees	Not science-based	Marginal/ No change	Decreased	Some linkage	Scenario analysis and/or TCFD supporter
Other Industrials	Howmet Aerospace	Substantially all	Substantially all	Independently assured	None	Less than 2 degrees	Science-based	Decreased	Increased	Some linkage	Scenario analysis and/or TCFD supporter
Other Industrials	Jardine Matheson Holdings	Substantially all	None	Independently assured	None	None	None	No previous emissions data	No previous emissions data	None	Scenario analysis and/or TCFD supporter
Other Industrials	Westlake	Substantially all	None	GHG Protocol	None	More than 2 degrees	Not science-based	Marginal/ No change	Decreased	None	Working on TCFD-aligned reporting
Other Industrials	XPO	Substantially all	Substantially all	GHG Protocol	None	None	None	Decreased	Decreased	Yes - ST and LT	Working on TCFD-aligned reporting
Banks	ING Groep	Substantially all	Substantially all	GHG Protocol	1.5 degrees	1.5 degrees	Science-based	Decreased	Decreased	Yes - ST and LT	Scenario analysis and/or TCFD supporter
Banks	Sumitomo Mitsui Financial Group	Substantially all	Some	Independently assured	1.5 degrees	1.5 degrees	Not science-based	No previous emissions data	No previous emissions data	Yes - ST or LT	Scenario analysis and/or TCFD supporter

Source: Orbis using information from company reports, ©2023 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.

*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.

Using our emissions reduction framework to assess high-emitting companies (continued)

In this second year of using our framework, we have refrained from making significant changes to preserve consistency but also because we have yet to see promising new reporting metrics with the potential to become widely adopted. One area we are interested in and continue to monitor is sector-specific intensity metrics that have potential to provide greater insight within sectors, but we still appear to be some time away from generally accepted standards.

Among the 14 companies assessed, disclosure of operational emissions was strong with all reporting Scope 1 and 2 emissions and only three not reporting on Scope 3 emissions. **Kinder Morgan** and **Westlake** are currently evaluating reporting Scope 3, while **Jardine Matheson** has prioritised the group's sustainability-related disclosures and made notable progress from reporting no emissions last year to reporting Scope 1 and 2 this year.

With respect to climate ambition, nine of 14 companies have long-term, 1.5°C aligned targets and ten set near-term targets that are aligned to 2°C or below.[16] Progress towards reducing absolute emissions goals is generally favourable and although some of this might be due to the tail-end of Covid-related activity slowdowns, decreasing emission intensities suggest genuine progress. While **Kinder Morgan** has yet to set any targets, its emissions intensity is lower than most peers, as discussed elsewhere, and we will continue to monitor its emissions performance closely.

Jardine Matheson is again the company with the most room for improvement, but this masks its notable progress and demonstrated responsiveness to engagements by Orbis and other shareholders. In addition to disclosure improvements mentioned earlier, each business unit in this conglomerate is now working on emission reduction plans and targets to help build a clear path to 2050 for the group. Leading the way is Astra International, the group's largest and highest emitting subsidiary responsible for some 75% of Jardine Matheson's aggregate Scope 1 and 2 emissions. Astra announced a 2030 target to reduce aggregate Scope 1 and 2 emissions by 30% and is off to a strong start after reporting progress of 10% reduction at the end of 2022 against its 2019 base.

XPO is a long-time holding in the Orbis Global Equity Strategy that is new to the framework this year. Like Jardine Matheson, it does not have emissions targets but with the spin-offs of GXO Logistics and RXO complete, XPO disclosed in its 2022 10-K filing that it is currently working on setting 2030 and 2050 goals aligned with science-based targets. XPO recently reported a 10% decline in its aggregate Scope 1 and 2 emissions during the three years to the end of 2021. We estimate that for it to be aligned with well-below 2°C scenarios it would need to target emission reductions of 28% from 2019 to 2030.

In 2022, we established a new position in **Westlake**, a global manufacturer and marketer of basic chemicals, vinyls, polymers and building products that has a 2030 emission intensity reduction target of 20% (from a 2016 base). This target is short of the 25% level we use in the framework to identify alignment with <°2C based on the IPCC pathway for global emissions. But things look quite different when we examine chemical sector specific pathways. For example, under the IEA's 1.5°C-aligned Net Zero Emissions scenario, the chemical sector specific pathway requires an emission intensity reduction of roughly 30% by 2030 (versus 2015), meaningfully less than the 45% required under the general IPCC pathway reflecting the difficulty of abatement. We intend to do further work to help us understand if Westlake's target might already be aligned to recognised chemical sector specific <2°C pathways.

[16] As at 31 December 2022, 45 investee companies out of 81 held in the portfolio (56%) had made a net zero commitment. These companies made up 63% of the portfolio's net asset value at that date. We consider a company to have a net zero commitment if it includes Scope 1 or 2 emissions and is company wide. These figures were correct as of January 2023.

Using our emissions reduction framework to assess high-emitting companies (continued)

More generally Westlake is making efforts to reduce emissions by offering its GreenVin-branded products in Europe that have up to a 90% lower CO_2 emissions than its conventionally produced products due to production from renewable ethylene from biomass. Scaling up these efforts won't happen overnight, but we are encouraged by early efforts such as these and its move to grow its recycling efforts by recently acquiring a company that turns scrap materials into finished products.

Carbon footprint of our operations

In last year's report we disclosed our operational carbon footprint for the first time. We will continue to measure, monitor and report that footprint to provide transparency and to help us decide whether we need to set targets.

The table below shows our Scope 1, 2, and 3 emissions, calculated according to the GHG Protocol standards. Scope 1 and 2 emissions are linked to fossil fuel combustion and electricity use in our offices, while business-related air travel is reported as Scope 3 emissions.

While we are pleased to see the significant reduction in our Scope 1 and 2 emissions relative to 2019, we recognise that 2022 was a transition year back into the office and therefore continue to monitor progress in this area. We nevertheless believe that we are seeing some progress from our efforts to be more efficient in our use of energy across our offices and the adoption of renewable or cleaner energy sources, where feasible.

Our adoption of agile work arrangements and increased use of virtual meetings have also contributed to a reduction in business-related air travel relative to pre-Covid-19 pandemic levels in 2019. We recognise, however, that 2022 was still not quite a normal year, and there is a continued need for such travel to meet with clients and to ensure effective global operations. We believe that agile working, which we pursue mainly to provide greater flexibility and work-life balance, has also helped reduce employee commuting and the associated emissions.

To further improve our understanding of the drivers of our emissions footprint, we have refined our measurement and reporting processes. Enhancements to our air travel tracking will lead to a more comprehensive understanding of our travel patterns and may help to identify new opportunities for improvement. We intend to continue sharing this information with our employees to increase awareness and engagement on this important issue.

	Greenhouse gas emissions (tonnes CO_2e)				% change
Scope	**2019**	**2020**	**2021**	**2022**	**2022 vs 2019**
Scope 1	163	163	181	130	-20%
Scope 2	725	660	455	412	-43%
Scope 1 and 2	**888**	**823**	**636**	**542**	**-39%**
Scope 3*	2,872	579	64	1,330	-54%
Total	**3,760**	**1,402**	**700**	**1,872**	**-50%**
Total per full-time employee	**8.6**	**3.2**	**1.6**	**4.2**	**-51%**

*Air travel only

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 $32 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. Our mission is to transform lives by investing over the long-term to enhance our clients' 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 businessperson 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 technology shares. 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.

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, overreacting or panicking when the investment cycle goes against them, and not acting when they should.

All 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 4), 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 D&I 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 sets out key indicators of progress that we measure ourselves against. Our D&I Vision is not a prescriptive set of rules and procedures, but rather a roadmap for achieving the standards we have set for ourselves 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 D&I 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**. We made changes to our recruitment processes, including reworking our job descriptions and partnering with recruiters, local universities, and external strategic advisers to attract more diverse talent. We have also examined ways to change our interview process and decision-making points to interrupt 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 strive to be a firm where diversity and inclusion is well integrated into our business strategy, organisational systems, and practices. To achieve this, 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. We believe that providing educational resources through several different avenues increases engagement and builds an environment where D&I will thrive.

- **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 our clients, their team and themselves. 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 began including D&I metrics and inclusion questions in our annual engagement survey, which allows us to analyse results by demographic groups and gain insight into our people's experiences and priorities. Our findings will continue to help direct our efforts.

- **Measurement and accountability.** Leaders and managers across the firm are working to identify measurable, achievable D&I objectives for themselves and will be held accountable to making progress toward achieving these.

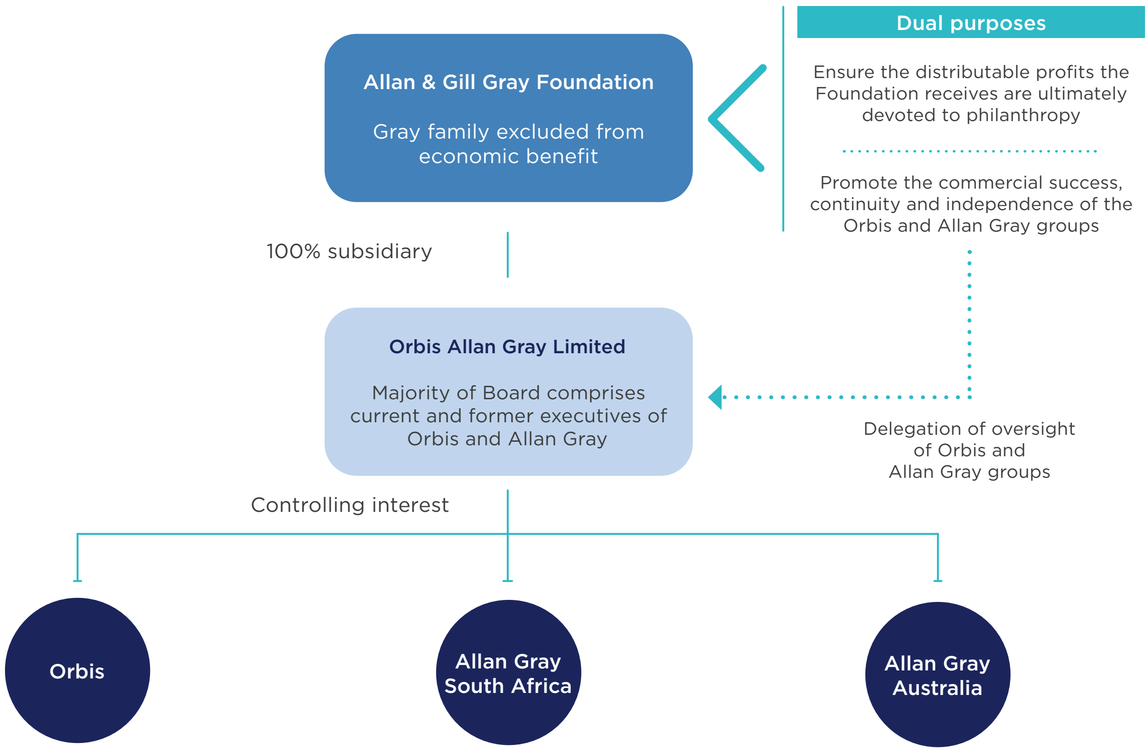
- **Community sponsorship**. Our firm supports and engages with various organisations across the world that promote diversity and inclusion more widely. We believe that our philanthropic efforts reinforce our steps towards inclusion at Orbis and the broader communities in which we operate.

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.

The 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 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.

The 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, eligible employees receive a gift from the programme 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 1: INVESTMENT PROCESS OVERVIEW

The diagram below summarises how our approach to responsible investing fits into the investment decision-making process, including how we exercise our stewardship responsibilities as active owners once invested.

Investment Process Overview		Integration of ESG Factors[17] 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 risks and opportunities related to ESG factors that may affect 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** questions on responsible investing issues for discussion in the meeting
Thesis defence	**Peer review** Policy Group Meeting is a forum for rigorous peer review, not a decision-making body	
Best ideas	**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[18] • ESG factors can impact **security selection** and **position-sizing** decisions
The portfolio		• We **monitor** material ESG factors at investee companies • We **engage** with investee companies to encourage improvement in their performance • We **vote** at shareholder meetings • We will **divest** from a company if we do not believe it is responsible to participate in its profits

[17] Environmental, social and governance risks, events or conditions are often referred to as "ESG factors".
[18] No ESG factor automatically prevents us from investing in a company unless otherwise restricted by a Fund's investment mandate.

APPENDIX 2: VOTING RECORDS

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

Orbis Japan Equity: voting record for 2022

Proposals type	Votes with management's recommendation	Votes against management's recommendation	
	#	#	%
Audit/Financials	28	0	0
Board related	326	22	6
Capital management	1	0	0
Changes to company statutes	40	1	2
Compensation	23	1	4
Mergers and acquisitions	1	0	0
Shareholder resolutions			
Environment	4	0	0
Governance	1	3	75
Total	**424**	**27**	**6**

During the period, we submitted votes at 100% of possible meetings.

Orbis International Equity: voting record for 2022

Proposals type	Votes with management's recommendation	Votes against management's recommendation	
	#	#	%
Audit/Financials	161	0	0
Board related	722	13	2
Capital management	100	14	12
Changes to company statutes	47	0	0
Compensation	104	4	4
Mergers and acquisitions	15	0	0
Meeting administration	2	0	0
Other	16	0	0
Shareholder resolutions			
Environment	12	0	0
Governance	4	0	0
Social	2	0	0
Total	**1,185**	**31**	**3**

During the period, we submitted votes at 95% of possible meetings.

Orbis Emerging Markets Equity: voting record for 2022

Proposals type	Votes with management's recommendation	Votes against management's recommendation	
	#	#	%
Audit/Financials	70	0	0
Board related	184	6	3
Capital management	18	17	49
Changes to company statutes	28	1	3
Compensation	64	1	2
Mergers and acquisitions	11	0	0
Meeting administration	20	0	0
Other	3	0	0
Total	**398**	**25**	**6**

During the period, we submitted votes at 98% of possible meetings.

Orbis Global Balanced: voting record for 2022

Proposals type	Votes with management's recommendation	Votes against management's recommendation	
	#	#	%
Audit/Financials	168	0	0
Board related	761	24	3
Capital management	96	10	9
Changes to company statutes	40	0	0
Compensation	126	2	2
Mergers and acquisitions	5	0	0
Meeting administration	12	1	8
Other	13	0	0
Shareholder Resolutions			
Compensation	4	0	0
Environment	8	0	0
Governance	4	2	33
Social	5	0	0
Total	**1,242**	**39**	**3**

During the period, we submitted votes at 98% of possible meetings.

APPENDIX 3: CLIMATE COMMITMENTS

In May 2022, we published a paper outlining how we apply our responsible investing principles to climate change and setting out a number of commitments. The table below outlines those commitments, the progress we have made to date, and priorities for 2023.

	Commitment	Progress to end of December 2022	Priorities for 2023
1	Engage with investee companies to request disclosure of Scope 1-2 emissions, and relevant Scope 3 for companies in High Carbon Impact stocks.	Engaged with non-disclosers of Scope 1 and Scope 2 emissions in the Orbis Global Equity Strategy.	Extend our engagement with non-disclosers of Scope 1 and Scope 2 emissions to other strategies and look into engaging on relevant Scope 3 emissions.
2	Monitor changes in emissions for investee companies.	Started monitoring the change in emissions for high emitters in the Orbis Global Equity Strategy and the portfolio in aggregate.	Look at extending monitoring to other strategies.
3	Develop and use framework to assess if high-emitting investee companies are on track to reduce emissions in line with an increase in the global average temperature of well below 2°C.	Developed a framework and used it to assess high-emitting investee companies held in the Orbis Global Equity Strategy.	Use the framework to assess high-emitting investee companies held in other strategies.
4	Engage with high emitters that do not appear to be on the right path.	Met with high emitters held in the Orbis Global Equity Strategy to further our understanding of their emission reduction plans and raise any concerns, based on the assessment above.	Engage with other high emitters, including those held in other strategies based on the assessment above.
5	When material concerns persist, take further action.	Currently we have no material concerns, although some engagements are ongoing.	Continue to assess whether any further action is required as we assess companies' emission reduction plans.
6	Evaluate joining industry initiatives.		Evaluate joining the Net Zero Asset Managers initiative (NZAMi) and Climate Action 100+.[19]
7	Disclose the following: • Examples of when climate-related risks and opportunities influenced investment decisions. • Portfolio-level metrics. • Assessment of high emitters using our emissions reduction framework. • Climate-related engagements and voting. • Emissions of our own operations and efforts to reduce them.	Disclosed in this and previous Stewardship Report.	Consider disclosing portfolio level metrics for other Strategies in next Stewardship Report.

[19] In early 2023 we decided not to join the NZAMi because doing so may detract from our ability to add value for clients. For now, we are focusing on meeting the commitments we made in 2022 while continuing to monitor the needs of our clients.

APPENDIX 4: 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.

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