Invest Differently

Stewardship Report

For the year ended 31 December 2023

Our founder Allan Gray always emphasised the importance of "deeds, not words". It's a mantra that has guided our approach to responsible investing. While our Statement of Principles sets out what we aspire to achieve, this document lays out examples of what we have actually done over the course of the past year. As such, it is one of the best ways for clients to decide for themselves if we indeed "walk the talk" in this important area.

This year's report is noteworthy because 2023 was our first full year with our dedicated responsible investing team up and running. Thanks to their specialist input on topics like climate change and in areas such as engagement and proxy voting, our investment decision-makers are in a stronger position than ever to implement our approach effectively.

A lot of work still lies ahead, but we were pleased to see a notable pick-up in our efforts to engage with investee companies. Also in 2023, we became a member of the Asian Corporate Governance Association. Orbis has been investing in Asia—Japan and Korea in particular—for more than three decades, and this will allow us to further enhance our knowledge of the rapidly changing governance landscape in these countries, while also providing a way for us to engage with policymakers more effectively than we can on our own.

As in previous years, this report tackles some of the more controversial responsible investing issues head on. Climate change remains a key topic for many clients, and we provide additional disclosures on how we identify, assess, and manage climate-related risks and opportunities. Specifically, we use Shell—an investee company of many of the Orbis Funds—as a case study to help clients understand how we integrate these issues into our investment decision-making process.

A key lesson from the Shell case study is that we invest in the real world and not an ideal one. The energy transition is a difficult challenge—and opportunity—and the exact path that it will follow is highly uncertain. Simply walking away from the problem changes nothing, and many potential solutions aren't yet feasible or scalable. A successful transition will require pragmatic and responsible solutions from companies like Shell and support from their shareholders.

As always, our goal is to make this report as useful as possible and we welcome suggestions for improvement. Please share these with your local Orbis contact or directly with 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. Report accurate as at 30 May 2024.

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OVERVIEW

Our approach to responsible investing

In our role as stewards of our clients' capital, our values are the compass that guides us. One of our Core Values is to act responsibly (see Appendix 1).

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 Core Values and mission as a firm.

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 matters has a significant impact on its intrinsic value. But understanding those matters isn't a simple tick-box exercise: like assessing a company's competitive advantage, it's complex and requires judgement. Accordingly, we evaluate 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. 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 2 also helps to illustrate how we integrate responsible investing considerations (such as a company's business conduct and environmental, social or governance risks, events or conditions) 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 2023. The section on **climate change** describes our approach to managing climate-related risks and opportunities before outlining our thinking on how the high-emitting companies held in the Orbis Global Equity Strategy are managing such risks.

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 previously mentioned and other related policies, such as our **Proxy Voting Policy**.

Implementing our "reject judiciously" principle

On the rare occasions when we consider walking away from an investment by applying the "reject judiciously" principle set out on the previous page, we assess whether it would be responsible to participate in the company's profits. Individual analysts typically make such decisions, as described in the next paragraph. We also have a process for doing so at the firm level, as described in the subsequent paragraph.

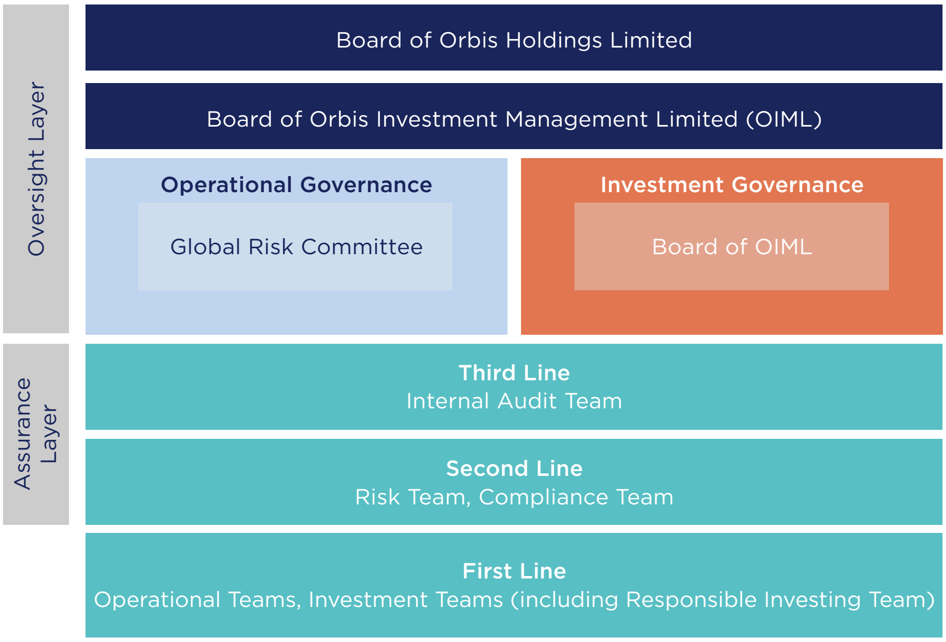
Analysts look at all relevant factors, weighted appropriately, in reaching their assessment. For example, they may consider whether the company engages in business practices that they regard as unethical or otherwise unacceptable, in intention or effect, and whether we could do more to promote positive change via engagement. If an analyst believes engagement is not possible or would be ineffective, they may recommend the sale of the company's securities.

People have different views on what is responsible. We therefore have an additional process in place to apply this principle across all the Orbis Funds, drawing on aspects of the process we use to make investment decisions. 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. Investment attractiveness has no bearing on the final decision, for which the head of the investment team is responsible.

We did not hold any Reject Judiciously Meetings in 2023. In 2022, we applied that process to clarify our position on Russian securities following the country's invasion of Ukraine.

Governance framework

The Orbis Group's governance structure provides oversight and control of (among other things) Orbis' responsible investing strategy.



Board oversight

The Board of Directors of Orbis Holdings Limited (OHL) sets the strategic direction for the Orbis Group and is ultimately responsible for its responsible investing approach and product offering. The OHL Board typically meets at least four times a year.

Orbis Investment Management Limited (OIML) has been appointed as the investment manager of the Orbis Funds and segregated mandates.[1] The Board of Directors of OIML, which typically meets four times a year, is responsible for overseeing and controlling the implementation of Orbis' approach to responsible investing in the investment management process and adherence to associated policies and commitments.[2]

As part of performing this oversight role, the OIML Board receives management information from the Risk team and Responsible Investing (RI) team. In addition, the OIML Board periodically reviews and, where appropriate, approves material changes to responsible investing documentation and policies, reviews new and updated statements outlining Orbis' views on or commitments related to responsible investing topics and membership of related industry initiatives. The OIML Board may escalate to the OHL Board any matters of broader strategic importance.

The Global Risk Committee (GRC) is a committee of the Board of Directors of each of the principal regulated operating companies within the Orbis Group (including OIML). The GRC, which meets at least quarterly, is constituted in terms of the requirement for sound corporate governance practices and operates as a means to enable the Boards to discharge those governance duties which pertain to operational risk management, risk and compliance monitoring, and incident evaluation. The Risk, Compliance and Internal Audit teams escalate and report to the GRC any material issues related to operational matters, including those arising from the implementation of Orbis' approach to responsible investing.

[1] Please note that this excludes the Orbis Institutional U.S. Equity L.P. fund, for which Orbis Investment Management (U.S.) L.P. acts as the investment manager.
[2] This includes Orbis' climate commitments as set out in Appendix 4.

Management's role and responsibilities

We believe that responsible investing matters related to investee companies are best considered at the individual company level. This includes integrating responsible investing considerations (such as a company's business conduct and environmental, social and governance risks, events or conditions) into investment decisions, engaging with investee companies and voting at meetings of their shareholders.

Consistent with the principle of individual accountability that underlies our investment process, our investment decision-makers are responsible for implementing Orbis' approach to responsible investing in the investment management process. Our RI team provides specialist input to help our investment decision-makers evaluate companies from a responsible investing perspective.

The head of the investment team, who is a member of the OHL Board and President of OIML, is the senior executive ultimately accountable for Orbis' investment process, including implementing its responsible investing approach, policies and processes. A senior member of the investment team is responsible for overseeing the implementation of these responsible investing matters and is empowered to escalate matters to the head of the investment team, the OHL Board or the Boards of other Orbis Group companies, as appropriate.

The head of the RI team sets that team's research priorities and is responsible for recommending and implementing changes to Orbis' responsible investing policies, processes and tools. They also oversee the efforts, led by the RI team, to report to clients on responsible investing matters and to the United Nations supported Principles of Responsible Investment (PRI). The RI team provides the OIML Board and, where relevant, the OHL Board with material responsible investing updates and periodic management information on adherence to Orbis' responsible investing approach, policies and commitments.

The Responsible Investing Working Group meets regularly to allow members of different teams involved in the implementation of Orbis' responsible investing approach to share information and perspectives, as well as to monitor day-to-day compliance with associated policies and regulations. Potential risk-related impacts to Orbis' operational processes, including those related to its responsible investing approach, are identified, assessed, monitored and managed through the core components of Orbis' enterprise wide-risk framework, as described in more detail on page 35. The Risk team is responsible for managing and monitoring these risks and will escalate any material concerns to the GRC.

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 Responsible Investing and Legal teams, as well as detailed proxy voting research from Glass Lewis. We also subscribe to data and research from Sustainalytics, S&P Trucost and CDP.[3]

Role of the Responsible Investing team

We established a dedicated Responsible Investing (RI) team in 2022 to help Orbis execute on its responsible investing principles, especially those to “integrate thoughtfully” and “engage proactively”. The work of our responsible investing analysts is an additional input to our investment decision-makers, helping them to evaluate investee companies from a responsible investing perspective.

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 stock and portfolio level.
- Identifying and prioritising opportunities to engage with investee companies, and then implementing and monitoring those engagements.
- Providing specialist input to inform voting decisions ahead of shareholder meetings.
- Monitoring compliance with our responsible investing policies and processes.

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.

External data

The tools and frameworks that the RI team develop are primarily supported by data sourced from CDP, S&P Trucost and Sustainalytics. The reality of these datasets is that they are far from perfect and hence our development of such tools and frameworks focuses 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.

[3] Carbon Disclosure Project (CDP) is a not-for-profit charity that runs a global disclosure system for investors, companies, states and regions to manage their environmental impacts.

Recent enhancements and priorities for 2024

Key focus areas in 2023 for improving how we implement our approach to responsible investing included: enhancing our processes for engaging with investee companies and voting at shareholder meetings; executing on climate commitments; and developing and applying frameworks to clarify our thinking on key responsible investing issues. See below for a summary of the progress made in each of these areas.

The RI team also enhanced some investment tools and processes first established in 2022. This included working with other teams to update the one-page summary of company-level responsible investing information to include UN Global Compact assessments and carbon pricing data. This report helps analysts to identify potentially material responsible investing issues at an early stage of the investment process. Our responsible investing analysts also now prepare a semi-annual report outlining what they consider to be the most material responsible investing risks in the Orbis Global Equity portfolio and discuss their findings with the investment decision makers.

Enhancing our engagement and voting processes

The RI team developed processes and provided input to help the investment team implement the firm's approach to engaging with investee companies and proxy voting. This included developing a more systematic process to identify, prioritise, execute and monitor engagement opportunities, and providing specialist input ahead of votes at shareholder meetings. These activities can support one another because voting in isolation is less likely to bring about change than doing so in combination with engagement. To help identify such engagement opportunities, the RI team implemented a process to consider whether writing to companies to explain our rationale votes against management's recommendation would further our clients' interests.

These process enhancements appear to have lowered the barriers to engaging in writing with investee companies, as discussed in more detail on page 21.

Executing on climate commitments

Recognising that climate change is the top responsible issue for clients globally, Orbis published a paper in 2022 that describes how it applies its responsible investing principles to climate change. This document sets out several commitments, including reporting on Orbis' progress so clients can use this information to assess the actions we take as stewards of their capital.

In 2023 the RI team again led our efforts to contact investee companies that did not publicly disclose Scope 1 and Scope 2 emissions to explain why we would find this information useful to assess climate-related risks. The RI team also used a framework, first developed in 2022, to assess the efforts that high-emitting investee companies are making to reduce their carbon emissions. This helped the RI team to identify investee companies where additional research would enhance our understanding of their approach to managing climate-related risks, informed in many cases by meetings with the company. This and other research informed our investment decision-makers' efforts to integrate climate-related risks and opportunities into their assessment of intrinsic value, and subsequent work by the RI team to monitor progress at investee companies and to report to our investment decision-makers and clients.

Developing and applying frameworks

In 2023, our responsible investing analysts developed a compensation and incentives assessment framework to support the evaluation and ongoing monitoring of company compensation practices. They also developed a framework to identify investee companies potentially exposed to significant modern slavery risk and started to examine ways of quantifying the potential impact of carbon pricing on company fundamentals.

Priorities for 2024

The RI team's priorities for 2024 include providing independent input in the following areas to help our investment decision makers to evaluate companies from a responsible investing perspective:

- Applying the compensation and incentives assessment framework to selected investee companies;
- Examining the potential impact of the transition to a lower-carbon economy, including carbon pricing, on the intrinsic value of selected investee companies; and
- Summarising the responsible investing considerations that could have a material impact on the intrinsic value of selected companies prior to a Policy Group Meeting, a forum for rigorous peer review of new investment ideas.

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 responsible investing considerations, 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. Orbis became a member of the Asian Corporate Governance Association in 2023. We periodically evaluate joining other external initiatives by assessing whether doing so is in the interests of our clients.

This report includes disclosures aligned with the Task Force on Climate related Financial Disclosures (TCFD) recommendations. We include information on significant votes on page 30 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.

When developing internal frameworks, our responsible investing analysts draw on several external initiatives, including those developed by the Sustainability Accounting Standards Board and the TCFD.

Orbis is also a member of a number of trade associations, including:

- Association of the Luxembourg Fund Industry (Luxembourg);
- Independent Investment Management Initiative (UK);
- The Investing and Saving Alliance (UK); and
- The Investment Association (UK).

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. These include responsible investing considerations, such as a company's business conduct and environmental, social or governance risks, events or conditions (often referred to in industry parlance as "ESG factors"). We place these efforts at the heart of our investment process by requiring our analysts to consider the responsible investing considerations that are potentially 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 responsible investing considerations 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, responsible investing considerations can influence an analysts view of a security's prospective risk-adjusted return—and thus our investment decisions.

Responsible investing considerations 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, investors' view of these risks and opportunities can cause market prices to deviate substantially from intrinsic value. These layers of complexity often make responsible investing considerations 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 risks, we may also find attractive long-term investments when we feel prices overly discount them, or do not reflect opportunities.

To make the integration of responsible investing considerations systematic, all Phase Three fundamental research reports submitted to a Policy Group Meeting—a forum for rigorous peer review—include a section on relevant responsible investing considerations that may be material to a security's intrinsic value. Participants can also submit questions on responsible investing considerations for discussion in these meetings. This enables us to think carefully about such matters when making investment decisions.

Position sizing 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 concentration, marketability and ownership limits. Since responsible investing considerations can materially affect our assessment of a security's risk-adjusted return potential, they can have a significant impact on a security's weighting in the portfolio.

Since responsible investing considerations 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 responsible investing considerations, they have access to a one-page summary of responsible investing information on an individual company, mostly sourced from S&P and Sustainalytics.

The diagram in Appendix 2 summarises how we integrate relevant responsible investing considerations into the security selection process. We outline our approach in our Responsible Investing Implementation Statement which can be found in the Investing Responsibly section of orbis.com.

Examples of when responsible investing considerations influenced our investment decisions

The following examples show how integrating responsible investing considerations influenced our investment decisions in 2023. 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 responsible investing considerations informs decisions not to invest as much as it informs decisions to invest. Such examples provide an insight into our thoughtful integration that may not be evident from a review of portfolio holdings.

We conducted initial research of a US-based manufacturer of plastic packaging products. The company had made a credible shift in its capital allocation policy to focus on organic growth and reduce debt, which may have driven improvements in profitability and shareholder returns. However, the negative environmental impacts of plastic packaging appeared likely to drive a secular shift from plastic to paper in consumer packaging that could slow or reduce plastic demand. The potential for this secular shift to negatively impact organic growth and/or the need to invest in recycled plastic capacity contributed to our decision not to proceed with further research.

We researched a Korea-based company engaged in the production and sale of outdoor clothing. The company's relationships with leading apparel brands and low-cost emerging market production had driven strong past financial performance and may have supported future growth. Our research found a history of related party transactions and other capital management decisions that benefitted the founding family to the detriment of minority shareholders. The combination of these governance concerns and potential risks related to labour practices influenced our decision not to proceed with additional research.

We started to research a Japan-based provider of subcontracting services for manufacturing companies given it was likely to benefit from industry tailwinds (increased R&D spending and a revival of semiconductor manufacturing in Japan) while also having an opportunity to boost margins by streamlining its operations. Our research highlighted reports of inappropriate accounting and employment practices at subsidiaries that indicated the group's governance practices have not kept up with its aggressive approach to acquisitions. We decided to focus our research on peer companies who traded at similarly depressed valuations without past governance issues, and therefore offered superior risk-adjusted return potential.

We also researched a China-based manufacturer and seller of custom home furniture with the potential for long-term growth in fundamentals if the company could succeed in penetrating the fragmented custom home furniture market in China. Our research revealed that in 2022 the company had issued shares to two owner-managers at a 20% discount to the prevailing share price, which was close to a multi-year low. Combined with a previous warning from regulators about insufficient disclosure of the owner-managers' share sale, we halted our research due to escalating governance concerns.

Portfolio activity

We added to the Orbis Global Equity Strategy's position in **Constellation Energy**, a US electricity producer that mostly generates nuclear power, that we established in 2022. After its spin-off from Exelon, shares in Constellation traded at a low multiple of our assessment 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 environmental tail risk. We felt Constellation's 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 added to the position in 2023 due to the favourable outlook for risk-adjusted returns due to 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, in our view.

We also added to the position in **Interactive Brokers**, a US electronic brokerage business, a stock first purchased in the Orbis Global Equity Strategy in late 2021. The company invests heavily in technology and its order-routing system, which it uses to provide unrivalled value-for-money for its clients and thereby growing its client base. It then leverages that scale to continue reinvesting to further improve its value proposition. The company has a complex corporate structure and low levels of board independence, including on board committees. All else being equal, we welcome higher levels of board independence. But in the case of Interactive Brokers, the Chairman's 68% economic and 75% voting interest (a relatively small difference) creates strong alignment. As an owner-manager with a strong track record who has treated minority shareholders fairly, we viewed his ownership and management as an asset, not a liability.

Corporate governance concerns contributed to the decision in 2023 to exit the Orbis Global Equity Strategy's position in **Samsung Electronics**, a Korean integrated semiconductor and electronics company. Amid a recent downturn in end market demand that caused a deep semiconductor cycle, Samsung's position as the leader in memory and number two player in smartphones and semiconductor fabrication meant its earnings stood to rise when demand eventually recovered. However, the company has historically treated minority shareholders poorly and was involved in a bribery scandal that led to the conviction of its top executives and impeachment of the Korean president. Samsung subsequently used the cyclical downturn to appoint as Executive Chairman the individual involved in the bribery scandal. This made us yet more mindful of the governance risks at the company at a time when other semiconductor opportunities in the US offered comparable risk/reward with lower governance risk. We re-established the Orbis Global Equity Strategy's position in Samsung Electronics in early 2024 after the risk/reward balance had improved compared to other semiconductor stocks. This illustrates how governance considerations are one factor among many that investment decision-makers must integrate into their assessment of intrinsic value at individual companies.

Case study: Shell

Climate change presents both risks and opportunities for a number of holdings in the Orbis Funds. In this section we take a closer look at Shell, a significant position in several of the Orbis Funds at 31 December 2023.[4] As one of the world's largest energy companies, Shell provides a useful illustration of how we integrate these considerations into our assessment of intrinsic value.

Shell is the largest energy company in Europe. Roughly two-thirds of its business comes from oil and gas exploration and production, or "upstream" operations. Having acquired BG Group in 2016, Shell is one of the world's largest liquified natural gas (LNG) suppliers. Its upstream business also includes an energy trading operation, which matches buyers and sellers for around 20% of all LNG traded worldwide. The remaining third of the business is in "downstream" activities such as chemicals, refining, and marketing (e.g. petrol stations).

We have historically shied away from owning integrated oil companies such as Shell for reasons unrelated to the energy transition. The main issue, especially for the European majors, was often capital discipline. Like many commodity producers, oil companies have historically focused on maximising production by reinvesting cash flows into growth projects that were not always well-aligned with shareholder interests.

Much has changed in recent years. Over the last five years Shell has reinvested just 30% of its operational cash flow, versus an average over the previous decade of around 70%. This has two important implications. First, it has allowed the company to return significantly more capital to shareholders in the form of dividends and share buybacks. Over the past 12 months, dividends and buybacks have produced a "shareholder yield" of more than 10%, well in excess of the 3-6% yield that was typical in the past. The second implication is that Shell has been considerably more disciplined with its remaining investment decisions. Capital expenditure is now sharply focused on its highest-return projects.

[4] We selected Shell for this case study because out of the significant positions held in the Orbis Global Equity Strategy at 31 December 2023, it had the highest exposure to ESG-related factors that pose potential economic risks for companies, based on data from Sustainalytics.

Potential risks of the energy transition

While this has been good news for shareholders, the obvious concern is how long those cash flows can be sustained in a world that is committed to transitioning away from fossil fuels. For a fossil fuel producer and distributor like Shell, there are no easy answers. On one hand, Shell's assets may deliver poor returns if demand for oil and gas falls faster than supply. On the other, Shell risks destroying value for shareholders by pivoting too quickly toward renewables if it has no competitive edge in that space and those investments end up generating poor returns. Shell's ability to strike the right balance is critical to our investment thesis.

Of course, we recognise that some investors prefer to avoid fossil fuels altogether. Oil and gas companies can be an easy target for exclusion because the commodities they produce are the biggest source of human-caused climate change. But we think it is unrealistic to imagine a world without fossil fuels and too simplistic to place all the blame on energy companies. Climate change is a complex issue that will require effort from all of society to address. The energy transition will only move as fast as society allows and the exact path it will take is highly uncertain.

In the meantime, secure and affordable energy is critical—and the reality is that fossil fuels remain among the most affordable sources of reliable energy. Even with greater adoption of renewables in recent years, fossil fuels still account for 80% of the world's energy demand. They are even more important in developing economies where cheap energy is, and will remain, vital to lifting billions out of poverty and transforming lives. In the developed world, the war in Ukraine was a painful reminder of the importance of energy security.

Shell's opportunity in the energy transition

As an individual company, Shell could easily walk away from the problem and reduce its contribution to emissions by selling off assets. Indeed, it did this to a limited extent with the divestment in 2021 of its Permian Basin assets in the US. Shell could also choose to pivot toward renewables, which it has also done to some degree, along with other European majors.

The problem with a "divest and pivot" approach is that it is neither in the interests of society nor shareholders. In the real world, the divested assets just end up in the hands of new owners who may not be subject to the same scrutiny and disclosure requirements as Shell. Pivoting to renewables may seem sensible, but it risks squandering capital in areas where Shell has no competitive advantage. Shareholders therefore end up with the worst of both worlds: unloading valuable assets to others while investing in new ones that offer poor returns.

Shell's current approach—which we support—is pragmatic and responsible. Under a relatively new CEO, Wael Sawan, who took over in 2023, the company is being clear about what it can and can't control, while also remaining committed to meeting demand for energy in a responsible way. Shell is investing in areas that will play a prominent role in the energy transition, but it is being more disciplined about doing so only when the projects are well-suited to Shell's expertise and the scale of its balance sheet.

LNG is a good example. Natural gas is cheap, abundant, and much cleaner than coal. Natural gas has half the carbon emissions of coal per unit of energy produced. As such, simply shifting from coal to gas as a source of reliable energy for heavy industry and power generation would be a huge improvement. LNG is particularly important in Asia given the region's lack of energy resources. The transition will be a long process, and Shell is well-placed to be part of the solution, with assets across the entire natural gas value chain.

In particular, Shell's downstream business can take advantage of the energy transition in a number of ways. These include repurposing refineries, adding more electric vehicle charging points to its existing network of petrol stations, investing in biofuels, and developing its expertise in carbon capture and storage. The latter is something Shell can do in its own operations, with a view to offering these services to other customers over time. We believe these are all areas where Shell can have a competitive edge and deliver real value for shareholders.

Shell's efforts to reduce emissions

As investors, we are committed to assessing the emission reduction plans of the highest emitters in the Orbis Global Equity Strategy. In doing so, we use the framework described on page 43 both to assess individual plans in a structured manner as well as to provide a comparable view across the portfolio. This helps us to identify topics and potential concerns for discussion with management so we can understand their perspective and better integrate climate-related risks and opportunities into our assessment of intrinsic value.

In 2020, Shell committed to achieving net-zero emissions by 2050. Importantly, this long-term objective includes "Scope 3" emissions from the end use of its products, which is effectively an acknowledgement that the global energy system needs to transition away from fossil fuels. Rather than specific near-term Scope 3 targets, Shell has a stated "ambition" to reduce Scope 3 emissions from oil products by 15-20% by 2030 (compared with 2021 levels; or 40% below 2016 levels), which is in line with the EU's climate goals for the transportation sector.

Shell has more control over the Scope 1 and 2 emissions of its operations. In 2021, it set a goal to cut Scope 1 and Scope 2 emissions in half by 2030 vs 2016 levels. By 2023, these emissions were reduced by 31%, or more than halfway toward the goal, albeit helped by some divestments.

While there is no "gold standard" methodology for assessing the energy sector's transition plans—this is a complicated area where approaches vary greatly—we believe Shell's approach to the climate transition is grounded in realistic rather than idealistic assumptions and we don't have any material concerns that have warranted a formal engagement with the company.

Integrating these risks and opportunities into our assessment of intrinsic value

In our view, fossil fuel demand is likely to remain stable—if not stronger in the case of LNG—for years to come. Prices should generally remain buoyant given the relatively conservative levels of new investment across the sector. Shell has not been alone in its efforts to be more disciplined about capital allocation, and this should be supportive of a "higher for longer" energy price cycle. We assume that $70-75 per barrel of oil is a reasonable normalised estimate for the midpoint of the cycle—meaning that today's price of almost $90 per barrel is a bit above normal, though not extreme.

At "normal" oil prices of $70-75 per barrel, Shell can deliver annual free cash flow (FCF) in the range of $25-30 billion. At the current share price, this works out to an attractive low-teens FCF yield. In other words, if you bought the whole company and the cash flows weren't impaired (or squandered), you would get your money back in 7-8 years—and still own the company outright. On top of this, Shell expects those cash flows to grow about 6% per annum through 2030. It is also buying back stock aggressively while the valuation is low—which further enhances the risk-reward proposition.

That said, our investment in Shell is not without risk. We could be wrong about the speed of the energy transition and demand for fossil fuels could decline sooner and/or faster than we expect. If so, Shell is almost certainly over-investing in capacity today. We also can’t predict what, if any, additional measures that governments, regulators, and courts will impose on Shell and other companies in the sector. In 2021, a Dutch court ruled that Shell must make its “best efforts” to reduce all emissions (including Scope 3) by 45% by 2030, which we believe is an unrealistic objective. It is also unlikely to make a difference in the real world because others would simply step in to fill the gap. Shell is currently appealing the decision, but it is a reminder nonetheless that Shell is not fully in control of its destiny.

We believe Shell’s valuation has more than discounted these concerns, which are well-chronicled and widely understood. This discount to our assessment of intrinsic value gives us comfort that there is an adequate margin of safety if our assumptions about energy prices and/or the speed of the transition prove to be incorrect—but it is far from a guarantee of success.

Climate change is a topic that can provoke vigorous debate, but we believe pragmatic solutions will prevail. Society has an urgent need for affordable, secure energy while also balancing the dangers of climate change. Shell is in a position to continue playing to its strengths as a reliable and accountable energy provider for those who need fossil fuels, while slowly transitioning into new areas where it has a sustainable advantage. In the meantime, substantial excess cash can be returned to shareholders at attractive valuations, and as active owners we have our own part to play in holding them accountable.

ACTIVE OWNERSHIP: ENGAGE PROACTIVELY

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.

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

From time to time, our analysts may believe that they can contribute to a company's deliberations over its broad strategy or its approach to capital allocation. When we identify environmental, social or governance matters that we perceive to have a negative impact on intrinsic value, we have a strong preference for engagement over exclusion. When we engage with companies to encourage change, we aim to share ideas that our analysts believe will further our clients' interests by enhancing or preserving their risk-adjusted returns. When this is not the case, we will not engage.

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' **Responsible Investing Implementation Statement**, which is available in the Investing Responsibly section of orbis.com, outlines our approach to engaging with investee companies.

Engagement process

A designated member of the investment team 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 may consider actions such as sending a formal letter expressing our concerns to senior management, an independent director, or to other board members. On rare occasions, such as if private engagement appears to be ineffective and our analysts continue to harbour material concerns, we may make our 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 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 a security's prospective risk-adjusted return, it will impact our investment decisions.

We do not formally measure the success of our engagement efforts. This is partly because the fact that companies speak to a wide range of internal and external stakeholders makes it very difficult to prove that a positive outcome was the result of our efforts. Nevertheless, if we are to learn and improve, it is important for us 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 2023

In 2023, our analysts held over 800 meetings with more than 400 investee and potential investee companies.

We discussed environmental, social or governance issues in around one third 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 a focus on issues that were potentially material to our assessment of the company's intrinsic value.

Example of issues discussed in 2023 with companies held in the Orbis Funds include those listed below.

- **Climate change:** with AES, Asahi Kasei, BMW, Cairn Homes, Constellation Energy, Daiwa House Industry, Drax Group, Generac, Glencore, Honda Motor, Inpex, Jardine Matheson, Kinder Morgan, Mitsubishi UFJ Financial, Signify, Sumitomo Mitsui Financial, Westlake and Yamato Kogyo.
- **Employee relations:** with Admiral Group, B&M European Value Retail, Honda Motor, Howmet Aerospace, ING Groep, Intel, Rheinmetall, Shinhan Financial and Techtronic Industries.
- **Board composition:** with BMW, Continental, Jardine Matheson, Kinder Morgan, Kiwoom Securities, Leonardo, Pole To Win Holdings, Shinhan Financial and Tsuruha Holdings.

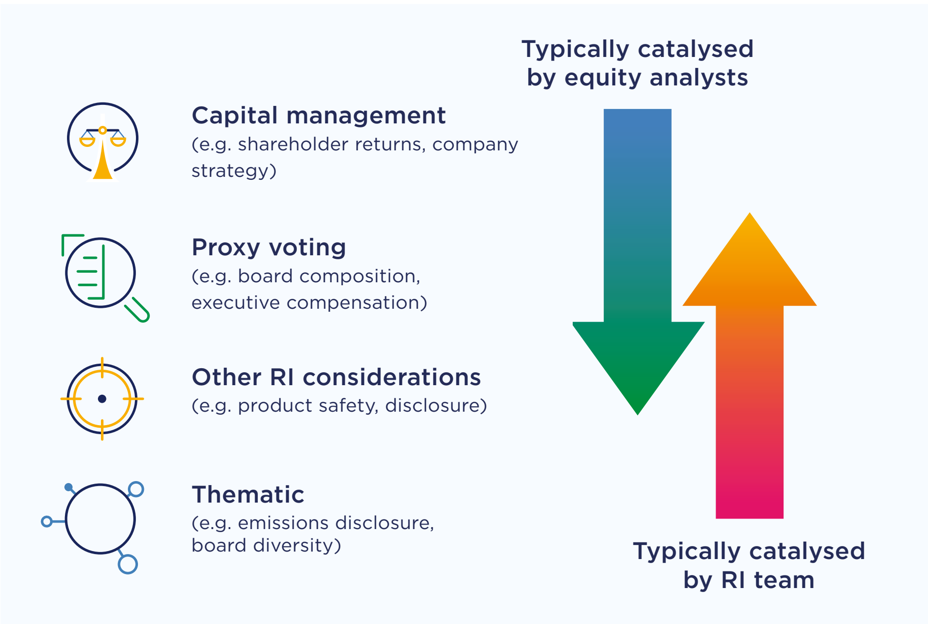
It important to note that the above information refers to meetings rather than to purposeful, targeted engagements to encourage change. For examples of the latter, see the following section.

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 2023. Even if our engagements provided a helpful perspective for company management, it is impossible for us to prove that they contributed to specific outcomes.

Identifying and prioritising engagement opportunities

Broadly speaking, engagement opportunities fall into four categories, as shown in the diagram below.



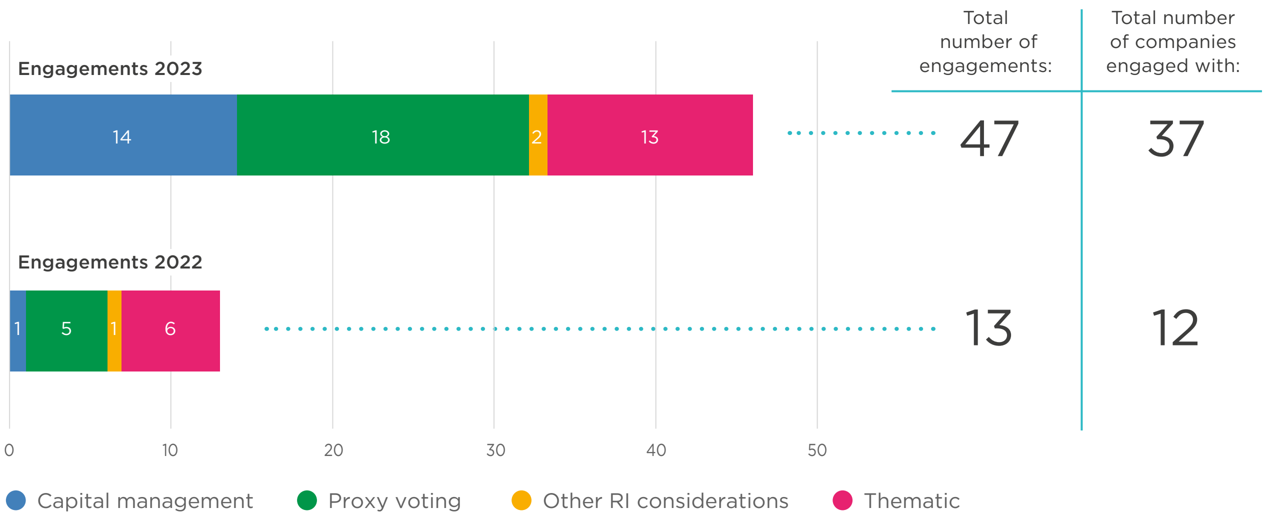
Capital management is a topic where we typically feel better placed to share ideas than on those related to the day-to-day running of the business.

Voting against management's recommendation at **shareholder meetings** is more likely to encourage change when combined with engagement to exchange perspectives with the company. In 2023 we introduced a process to consider whether we could further our clients' interests by writing to companies to explain our rationale for such votes.

When we are concerned that **other responsible investing considerations** may negatively impact intrinsic value, we aim to speak to management to understand the company's perspective.

All the above engagement opportunities emerge from our bottom-up research of individual companies. There may also be opportunities to engage with multiple companies exposed to a **common theme**, such as those that do not disclose Scope 1 and 2 CO_2-equivalent emissions. Our RI team tends to drive these thematic engagements and meetings to discuss other responsible investing considerations, and also provides specialist input to make other engagements as efficient as possible for our investment analysts, who are best placed to identify these opportunities.

During 2023, we saw a step-change in the level of engagement activity, as shown below. This was helped by the RI team's efforts to develop a more systematic process to identify, prioritise, execute and monitor engagements.



We do not aim to maximise the number of engagements and we expect activity to decline in 2024 now that we have pursued the opportunities we felt offered the highest potential return on time.

Capital management

We engaged with a number of companies to share ideas that we felt would lead to improvements in capital management, thereby enhancing returns for shareholders. The table below provides some examples of these engagements.

	Objective	Summary of engagement	Outcome to date
3 Korean banks *All held in the Orbis Global Equity Strategy at 31 Dec 23.*	To encourage the companies to establish a clear capital management policy that would commit them to returning a significantly greater portion of their earnings to shareholders.	After exchanging perspectives with management, we wrote to the Board of Directors to share our views in writing.	All three companies have announced clear capital management plans. While all have also increased shareholder returns, we feel a higher level is needed to restore investor confidence. This engagement is ongoing.
Several Japanese companies	To encourage the companies to improve their capital allocation and return on equity.	As long-term investors, we shared our perspective on why shares in these companies traded at such a low price-to-book ratio (PBR). We also proposed initiatives that we felt would improve their return on capital and thus PBR.	Most of these companies have subsequently taken initial steps that we found encouraging, but these engagements remain ongoing.
Germany-based company	To encourage the company to improve its capital return policy and financial disclosures.	We wrote to the incoming CFO to share our views and subsequently met with management to exchange perspectives	The company subsequently made improvements to capital allocation that we welcomed but has yet to make the disclosure changes that we suggested.

Executive compensation and board composition

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 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 consider these factors in the context of the board's and management's overall share ownership and alignment with shareholders. We may support a company's policy if it is sufficiently close to best practice, even if it does not reflect every desired criterion.

The table below includes some examples of where we have engaged on executive compensation and board composition.

	Objective	Summary of engagement	Outcome to date
Sunrun *US company that leases and operates solar panels for homeowners*	To encourage the company to align both executive compensation and its approach to capital allocation with returns to shareholders, in each case by prioritising cash generation.	We wrote to management to share our views in writing, including our rationale for voting against a proposal on executive compensation.	The company subsequently announced changes to management compensation that provide an incentive to generate high levels of cash, but we see opportunities to further improve alignment. This engagement is ongoing.
Sendas Distribuidora *Brazil-based grocery retailer*	To discuss our decision to abstain from voting on a proposal at the company's annual meeting because the quantum of the payments for outgoing directors was above the amounts previously approved by shareholders.	We shared some high-level thoughts on how the company could improve its remuneration approach generally and then supported a revised proposal on more favourable terms at a subsequent shareholder vote.	We have since provided more detailed feedback to encourage the company to make additional changes to executive compensation before its next annual meeting. This engagement is ongoing.
Several Japanese companies[5]	To ask Japanese investee companies with all-male board to improve our understanding of their thinking on board diversity across multiple dimensions.	We wrote to these companies to ask them to share their strategic views on diversity and to ask if they had any plans to increase gender diversity at the board level.	While some have since appointed at least one female director, others have not, and these engagements remain ongoing.

In addition to the above examples, we wrote to several companies to share our rationale for voting against board appointments and to express a willingness to engage in constructive dialogue with the company on these and other topics. Examples of views we expressed included: concerns about the ability of the Supervisory Board, under its current leadership, to provide robust oversight of the Management Board (**German company**); insufficient board independence (**Japanese company**); an excessive level of cross-shareholdings (**Japanese company**); and our disappointment with the process followed by the company prior to an extraordinary meeting of shareholders (**Korean company**).

[5] Recognising that many Japanese listed companies have no female directors, and the Orbis Funds often have a large ownership stake in such companies, we chose to contact them in 2023 to discuss this common theme.

Other responsible investing considerations

We met twice with the leaders of the sustainability team at **Jardine Matheson**, a Hong Kong-based conglomerate, to continue discussions that we first initiated in 2022 about its ESG-related disclosures and the approach group companies are taking to specific issues. Jardine has made good progress of late—including enhanced disclosure (which has helped improve its ESG Risk Ratings from Sustainalytics) and appointing a female director to the group's board—while Astra (its highest emitting subsidiary by far) has set interim (2030) targets to reduce carbon emissions. But Astra's palm oil subsidiary became embroiled in a fresh controversy related to land rights that resulted in a boycott by some customers. In our view, Jardine and Astra are taking appropriate steps to address these concerns, including commissioning an independent investigation. They also recognise they have opportunities to improve reporting and disclosure. We continue to monitor this situation closely.

We met with **British American Tobacco (BAT)**, a leading international tobacco company, to discuss its approach to sanctions compliance following the announcement in April 2023 that the company had entered into a deferred prosecution agreement with the US Department of Justice and Office of Foreign Assets Control to resolve investigations into BAT's historical business activities in relation to North Korea from 2007 to 2017. The company demonstrated a lower risk tolerance for operating in or with high-risk jurisdictions compared to its past practice, and now operates in fewer such jurisdictions than in the past. Since 2017, BAT has also centralised its business conduct and compliance efforts, and developed an improved framework for addressing geopolitical and regulatory issues.

We contacted **nine investee companies** held across the Orbis Funds that did not disclose Scope 1 and 2 emissions to explain why we would find this information helpful in assessing the materiality of climate-related risks and to meet our clients' needs for climate-related reporting.

We met with the management of **two Japanese banks** to improve our understanding of their climate change initiatives ahead of their annual meetings of shareholders where the agenda included climate-related shareholder proposals. We believe both banks are taking appropriate steps to manage climate-related risks while also avoiding unintended consequences. This includes working to establish targets to reduce financed emissions with a focus on engagement with customers. Since these efforts are in the very early stages, we continue to monitor their progress.

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 2023. 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 submitting 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.

Before submitting voting decisions, the designated analyst reviews relevant shareholder meeting materials. They determine whether supporting each proposal to be voted on is in the interests of the Orbis Funds. They may 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. Examples of matters that might not be in shareholders' interests include proposals which reduce shareholder rights or shareholder influence over the company, or impair shareholder value.

Analysts take an all-inclusive view when making such determinations, drawing upon their existing knowledge of the company. They consider environmental, social and governance matters in the context of their impact on the long-term value of the company. 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. When appropriate and practicable, they may speak directly to a company's management or board members to share perspectives.

Following the review, the designated analyst is responsible for submitting voting decisions. When the designated analyst or an 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 we have not yet had sufficient opportunity to engage with management.

Voting mechanics and associated costs may make it impossible at times, and at other times disadvantageous or impractical, to vote proxies in every instance. For example, we might refrain from voting if it would result in the imposition of trading or other ownership restrictions. Also, we typically do not vote if the Orbis Funds have sold their position in a company before the meeting date.

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.[6]

[6] We do not publish voting records for Orbis Funds that are not publicly available or do not have external investors.

Orbis Global Equity: voting record in 2023[7]

During the year, we voted:

on 1,167 resolutions[8]

at 81 meetings

for 77 companies

Of these:

- **5%** of votes were against management's recommendation
- We voted against management at least once at **26%** of companies
- **1%** of our votes were abstentions

Proposal type	Votes with management's recommendation	Votes against management's recommendation	
	#	#	%
Audit/Financials	131	0	0
Board related	698	20	3
Capital management	57	12	17
Changes to company statutes	39	0	0
Compensation	102	16	14
Mergers & acquisitions	7	1	13
Meeting administration	6	3	33
Other	23	0	0
Shareholder resolutions			
Compensation	8	1	11
Environment	7	0	0
Governance	18	4	18
Social	4	0	0
Total	**1,100**	**57**	**5**

In 2023 we submitted votes for Orbis Global Equity at 99% of possible meetings. Appendix 3 contains 2023 voting records for other Orbis Strategies. The rest of this section is relevant for all Strategies because our voting decisions for individual meetings were the same for all Orbis Strategies and the Funds within them.

[7] Data in this section is for a representative account for the Orbis Global Equity Strategy, sourced from Glass Lewis. Includes votes for multiple securities at the same meeting (e.g. local shares and ADRs).
[8] Excludes some votes where management did not make a recommendation.

Votes against management's recommendation

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, the Orbis Global Equity Strategy did not support management's recommendation for 5% of votes in 2023.

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 shares, particularly without granting pre-emption rights to existing shareholders. The "capital management" proposals we voted against were primarily of this nature and included those presented by **British American Tobacco**, **Cloud Village**, **Glencore** and **Transocean**.

Board appointments

We viewed the decision by the Board of Directors of **Kusuri no Aoki** to approve the issuance of stock options in January 2020 to two directors as a significant corporate governance failure that was not in the best interests of shareholders. Accordingly, we voted against the election of directors who were incumbent in January 2020.

We voted against two board appointments at **Warner Bros. Discovery**. We had concerns about the relevance of one nominee's qualifications and experience, and voted against the reappointment of another director based on his membership of the Compensation Committee, which we felt had not adequately overseen shareholders' interests.

In the case of **Sumitomo Mitsui Financial Group (SMFG)**, 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 re-election of another director given his position as a special advisor at Central Japan Railway Company, in which SMFG held strategic shareholdings, resulting in him not appearing sufficiently independent.

We voted against the re-election of the Chair of the Supervisory Board at **Continental** due to concerns with the board's composition and effectiveness in overseeing management. In addition, we were dissatisfied with the magnitude of and lack of transparency around termination payments made to outgoing executives.

Executive compensation

We did not support votes related to executive compensation in cases when we felt the company's incentive structures did not adequately align the interests of management and long-term shareholders.

For example, we voted against an advisory proposal on executive compensation at **Sunrun** because we were concerned by the mismatch between executive pay and performance. In particular, we felt that a lack of emphasis on cash generation within the incentive selection contributed to this mismatch.

We also opposed pay votes at **Transocean** and **Warner Bros. Discovery** where we felt there were mismatches between pay and performance. In the case of Transocean, we also voted against revisions to the long-term incentive program and a related authorisation to issue shares under the incentive plan over concerns that compensation-related dilution had been excessive.

We abstained from voting on a binding proposal to increase the compensation payable for fiscal year 2022 at **Sendas Distribuidora** due to concerns about the quantum of revised payments to outgoing directors.

We voted to request a one-year frequency for advisory votes on executive compensation at **Westlake** as we felt it was better practice for shareholders to have a say on compensation practices annually.

Shareholder resolutions

Shareholder resolutions are proposals submitted by shareholders rather than by the company and its board. Typically, these resolutions seek to compel companies to take certain actions that they do not consider to be in the interests of shareholders. As such, management will usually recommend voting against these resolutions. Such proposals often relate to environmental, social and governance issues, as shown in the previous table.

We voted in favour of a shareholder proposal at **Warner Bros. Discovery** that sought to establish simple majority voting to approve any items to be considered by shareholders at a general meeting. We felt the existing requirement for two-thirds of the shares outstanding to approve the removal of a director was excessively demanding.

We also supported several shareholder resolutions at **Kusuri No Aoki** aimed at improving the company's governance practices in light of the past issuance of stock options discussed previously. These proposals called for the company to appoint a lead independent director, to establish nominating and compensation committees, and to promote more suitable compensation arrangements for attracting highly qualified independent director candidates.

At **AES**, **Global Payments** and **Unitedhealth Group** we opposed resolutions asking for the board to seek shareholder approval of certain executive severance arrangements. In some of these cases, we felt the companies had already substantially committed to effectuate this request. In addition, we were concerned that potential drawbacks, such as the administrative burden and a more complex recruitment process for senior executives, would more than outweigh any benefit of shareholders being able to express a view on such matters.

As in prior years, we voted against some shareholder resolutions due to concerns about their design and/or proposed implementation approach. For example, we once again voted against shareholder proposals at **Mitsubishi UFJ Financial Group** and **Sumitomo Mitsui Financial Group** calling for both companies to amend their Articles of Incorporation to include a requirement to set and disclose business plans with targets to reduce greenhouse gas emissions in a manner aligned with the Paris Agreement. While we recognise that climate-related shareholder proposals can only be submitted in the form of an article amendment in Japan, we nonetheless felt that changing the Articles of Incorporation in this manner would have unduly impeded management's ability to run the business in the interest of shareholders. In the case of **Westlake**, we had reservations about requiring the company to set long-term emissions reduction targets when there was significant uncertainty regarding prospective climate solutions and a lack of accepted transition pathways.

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 10% of the total and we voted against management's recommendation or against a shareholder resolution.[9]

In 2023, the Orbis Japan Equity Strategy made the following "most significant" votes at **Pole To Win Holdings**.

- Shareholder proposal regarding purchase of treasury shares. We voted in favour of this proposal because we believed that the purchase of treasury shares would improve capital efficiency, and permanently increase earnings and cash flow per share, without resulting in a decline in financial stability or a loss of investment opportunity. This was because we felt the combination of the company's robust financial position and its ability to generate additional cash would allow it to invest for future growth while returning more capital to shareholders.
- Shareholder proposal to amend the Articles of Incorporation to include a requirement for the company to state the goal of having a majority of independent outside directors, including individuals with diverse experience and skills, as long as it remains a listed company. We voted against this proposal because we felt the proposed amendment was unclear and poorly drafted. For example, it did not explicitly define "independent outside directors". We also believed that the company had recently taken some significant steps to increase the level of board independence.

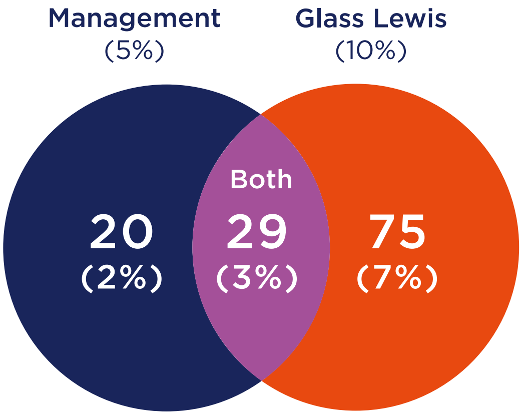
We met with senior management prior to the voting deadline to exchange perspectives and subsequently wrote to the company to share our rationale for the first vote above, which differed from management's recommendation.

[9] Under Article 3g(1)(b) of the Shareholder Rights Directive II (Directive (EU) 2017/828), the "most significant" votes are determined on the basis of quantitative and/or qualitative criteria set by Orbis. For the purposes of determining the "most significant votes", holdings owned by the SICAV and OEIC are combined with other Orbis 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 generally 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 the vast majority of resolutions submitted by management, many of which are routine in nature. In 2023, 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 of total votes submitted, adjusted to remove multiple securities voted at the same meeting. The figures may therefore differ from those in the voting record on page 27.

Glass Lewis takes a largely rules-based approach to making voting recommendations—quite reasonably given the size of its research universe. We may disagree with its conclusions or choose to take a different approach to addressing any issues raised. On several occasions in 2023, we concluded that following Glass Lewis' voting recommendations would not be in the interests of our clients.

As described on page 22, 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**, **Interactive Brokers**, **Next**, **XPO** and **Wizz Air**. In each case, we concluded that the management team was appropriately incentivised to perform over the long term even if, in some cases, the company's compensation practices may not have adhered entirely to best practice. We also voted in support of management (and against the Glass Lewis recommendation) by voting against the shareholder resolutions at **Global Payments**, **Unitedhealth Group** and **Westlake** described previously.

In many instances where we voted against management's recommendation, our approach aligned with Glass Lewis' recommendations. Of these 20 votes, seven related to board appointments (including those at **Kusuri no Aoki**, **Sumitomo Mitsui Financial Group** and **Warner Bros. Discovery** discussed previously), six were votes on executive compensation (including those at **Sunrun**, **Warner Bros. Discovery** and **Westlake** discussed previously), and two were shareholder proposals at **Kusuri no Aoki** and **Warner Bros. Discovery** discussed previously.

In some cases, we disagreed with the recommendations from both management and Glass Lewis. Examples discussed previously include our support for several shareholder proposals at **Kusuri no Aoki** and our votes against authorisations to allow **British American Tobacco**, **Glencore** and **Transocean** to issue shares. Our decisions not to support compensation-related votes at **Bayer**, **Global Payments**, **Sendas Distribuidora** and **Transocean** also fell into this category. In the case of Sendas, we abstained from voting on a binding proposal to increase the compensation payable for fiscal year 2022 due to concerns about the quantum of revised payments to outgoing directors. Glass Lewis recommended voting against this proposal and while we had shared some of its reservations, we were also mindful of the binding nature of the vote and the potential disruption that could be caused at a transitional time for the company.

Governance and accountability

Orbis' management of climate-related risks and opportunities forms part of its responsible investing strategy. The governance framework section on page 6 explains how Orbis applies a group-wide governance structure to provide oversight and control of its responsible investing strategy.

Strategy

The most recent report from the Intergovernmental Panel on Climate Change (IPCC report) stated[10]:

- Human activities, principally through emissions of greenhouse gases, have caused the global average temperature to increase faster since 1970 than in any other 50-year period over at least the last 2000 years;
- Continued greenhouse gas emissions will lead to increasing global warming and intensify hazards like a rise in sea level and more frequent extreme weather events, such as heatwaves and droughts (physical changes); and
- Stopping further warming, or even slowing it down, requires society to make changes that reduce the level of greenhouse gas emissions (transitional changes).

These physical and transitional changes present risks and opportunities—at different times and to different extents—for many investee companies.

Identifying and addressing climate-related risks and opportunities

As an asset manager, the most prevalent climate-related risks and opportunities we face relate to our ability to deliver superior risk-adjusted investment returns for our clients over the long term while earning and retaining their trust and confidence. Long-term thinking is a core element of our investment and organisational philosophies, and we focus on considering how these risks may impact our firm over the long term.

Delivering superior investment performance

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 independent-minded investment philosophy that reflects our investment beliefs, as described on page 50. The greatest risk we face in pursuit of this mission is permanent loss of capital resulting from our investment decisions.

Climate-related risks and opportunities may materially impact our ability to accurately assess the intrinsic value of investee companies, and thus our ability to generate superior risk-adjusted returns for clients. We must therefore ensure that our investment team can effectively identify, assess and manage climate-related risks and opportunities that may be material to our assessment of the intrinsic value of investee companies.

In recent years, we have enhanced our internal capabilities to help us effectively manage these potential impacts. Examples discussed elsewhere in this report include establishing a dedicated Responsible Investing team to help to provide specialist input on climate-related matters, integrating emissions data from external providers into a report that helps analysts to identify potentially material climate-related risks and opportunities at an early stage of the investment process, and preparing a semi-annual report that includes information on the most material climate-related risks in the Orbis Global Equity portfolio.

[10] IPCC = Intergovernmental Panel on Climate Change. Most recent report is the AR6 Synthesis Report published in 2023, at the end of its sixth assessment cycle, which made the specific statements above with high confidence.

Earning and retaining the trust and confidence of clients

Climate change is an important topic for many of our clients and potential clients. If our approach to managing climate-related risks and opportunities within the investment process can earn the trust and confidence of potential clients, it creates the opportunity for them to entrust their capital to us. Alternatively, if we do not communicate our approach clearly to clients or if their approach does not align with our objectives, there is a risk that we may lose their trust and confidence, resulting in them leaving us in the short, medium or long term.

To manage these potential risks and impacts, we have devoted significant time and resources in recent years to improving the way we communicate our approach to clients.

To help clients understand how we integrate climate-related risks and opportunities into our investment decision-making process and our role as active owners, we published a paper describing how we apply our responsible investing principles to climate change. In it, we set out a series of commitments in recognition of the important stewardship role that we play. See Appendix 4 for a summary of these commitments and the progress we have made towards fulfilling them.

We have used our annual Stewardship Report to provide examples of how climate-related risks and opportunities have impacted our investment decisions, to disclose emissions metrics, and to share our assessment of high-emitting investee companies' efforts to reduce emissions and manage climate-related risks.

Building resilience by managing risks and pursuing opportunities

Our responsible investing principles (integrate thoughtfully, engage proactively, and reject judiciously) guide us in identifying, assessing and managing climate-related risks and opportunities in a manner that is consistent with our investment philosophy.

That philosophy, described on page 50, does not impose style, benchmark or market criteria for investment decisions. This gives us the flexibility to allocate client capital to the areas within our unconstrained investment universe where we see the best risk-adjusted opportunities. Executed well, this is a structural advantage that increases our ability to deliver superior investment performance for our clients.

Our client managers have direct contact with our clients and are responsible for understanding whether our approach to managing climate-related risks and opportunities is aligned with our clients' evolving needs. Where they consider it necessary, client managers will communicate any concerns in that regard to our firm's leaders.

Our performance fees and remuneration structures intentionally align the interests of our firm and people with those of our clients. While this is no guarantee of success, it means we have a clear incentive to manage climate-related risks and to pursue opportunities in a way that improves our ability to fulfill our mission.

As set out in the risk management section on the next page, we have concluded that climate scenario analysis tools would be of limited incremental use in managing the risk of permanent capital loss. We do not expect our strategy to change significantly under different climate change scenarios, but we will continue to closely monitor the needs of clients and regulators.

Risk management

Group-wide framework

We are committed to managing risk on a group-wide basis through our Enterprise-wide Risk Management ("ERM") framework which comprises four broad pillars:

- Risk governance structure (consisting of layered lines of defence: day-to-day business unit risk management, independent risk and compliance teams, and an internal audit team, each with clear roles and responsibilities, subject to overall Board oversight);
- Risk identification and assessment;
- Risk response; and
- Risk monitoring and reporting.

This framework aims to incorporate all significant risks to which the Orbis Group is or may be exposed. This includes climate-related risks impacting both the investments we manage and our operations.

The firm's operational carbon footprint is small relative to those of portfolios we manage: those "owned" by Orbis Global Equity are around 450 times higher than those of the firm. This is why our primary focus is on managing climate-related investment risks.

Identifying and assessing investment risks

Given the concentrated nature of the portfolios we manage, the climate-related risks and opportunities that affect those portfolios are very company specific. Potential climate-related risks at the individual stock level include stranded assets, changes in regulation, and physical climate risk, while the transition to a low-carbon economy can present risks as well as opportunities for companies that can deliver solutions.

As part of their bottom-up research, every analyst independently considers whether climate-related risks are material to their assessment of a company's intrinsic value. In doing so, they take a broad view that considers the wider industry context and supply chain. Considerations that might bring climate-related risks to an analyst's attention include the nature of the industry and material issues noted by the company or its peers in accounts or regulatory filings. A report containing carbon emissions and carbon pricing data (among other company-level information on responsible investing matters) is available to help analysts identify potentially material climate-related risks at an early stage of the research process. Above all, analysts must consider which, if any, climate-related risks may be material to the intrinsic value of investee companies either today or over the long term.

Analysts integrate their analysis of such issues into their bottom-up research. As a result, they may incorporate climate-related risks into their forecasts for a company's long-term fundamentals or the valuation multiple they assume at the end of the investment horizon in recognition of the fact that such risks extend much further into the future. In these ways, such considerations can influence an analyst's view of a security's prospective risk-adjusted return—and with it our investment decisions.

Before investing, a Policy Group Meeting provides the opportunity for rigorous peer review of investment ideas. All Phase Three Reports submitted to a Policy Group Meeting include a section on responsible investing considerations that may be material to a security's intrinsic value. When submitting a Phase Three Report, the analyst must confirm that they have considered whether climate-related risks are material and/or relevant to the intrinsic value of the security. Participants can submit questions for discussion in a Policy Group Meeting, including on any climate-related risks and opportunities that are potentially material to intrinsic value and which the analyst has not yet identified.

Managing and monitoring investment risks

Climate-related risks may cause us to reject an investment idea, but we may invest in companies with material climate-related risks, especially if we believe they are managing those risks effectively yet investor expectations are low. Paying a low price relative to intrinsic value plays a key role in managing the risk of permanent capital loss. 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.

Our Responsible Investing team provides specialist input to help investment decision makers to manage climate-related risks, including monitoring carbon emissions and intensity at the portfolio level, reporting this information to our investment analysts, and assessing the efforts of high-emitting investee companies to reduce emissions. The Responsible Investing team also monitors adherence to the firm's responsible investing policies and climate commitments.

Our Risk team monitors climate-related risk in our investment portfolios and assesses this information against documented monitoring thresholds. The Risk team generates onward risk reporting for the boards of selected Orbis Funds and management companies within the Orbis Group. This includes quarterly reporting to the OIML Board of climate risk metrics for the various strategies (including Orbis Global Equity) and incorporating regular updates and reporting from the Responsible Investing team on adherence to the firm's responsible investing policies and climate commitments. The Risk team can escalate any material concerns relating to climate-related investment risk to the head of the investment team and the OIML Board.

We have considered whether climate scenario analysis tools from external providers could help our investment team to monitor and manage climate-related risks that may result in permanent capital loss—our definition of risk. They concluded that it is best to assess such risks through bottom-up, company-level analysis. Climate scenarios can inform such analysis, but they are inherently complex, involve a high degree of uncertainty, and rely on emissions data that varies in quality. Furthermore, while off-the-shelf models may identify high-emitting companies as those with the highest potential exposure to climate-related risks, they do not reflect the willingness or ability of companies to respond to those risks, and nor do they consider whether share prices already discount them. For these reasons we feel they would be of limited incremental use in managing climate-related risks at the portfolio level.

Managing risks through active ownership

When we believe that an investee company has a material financial exposure to climate-related risks, we aim to meet with company management to form a view on how effectively they are responding to these risks and to share any concerns we have in that regard. This is consistent with our view that engagement is a more constructive path to change than divestment or exclusion. Indeed, we believe it is through engaging with investee companies that we have the biggest opportunity to make a difference in respect of climate change.

Our initial objective when engaging 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 material financial concerns we may have. This enables us to develop a better-informed view of whether the company is responding adequately to climate-related risks. We take a long-term perspective, aim to encourage improved disclosure and to hold management teams accountable for executing on their plans. We may also collaborate with other investors where appropriate and aligned with our clients' interests.

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 returns less attractive than other ideas, or believe that walking away is the most responsible thing to do, we will look to sell the position.

Operational risks

Orbis' approach to operational climate-related risk is guided by the principle of proportionality, taking into account the materiality of the inherent climate-related risk associated with its operational activities.

Potential risk-related impacts to our operational processes are identified, assessed, monitored and managed through the core components of Orbis' ERM framework. This includes impacts that may arise from climate-related risks, where relevant. Importantly, these are incorporated within Orbis' Business Continuity Management framework which explicitly considers the risks related to operating in certain jurisdictions, such as those arising from climate-related disasters.

We have committed to measuring, monitoring, and reporting our operational carbon footprint. See Appendix 5 for this information.

The Risk team will escalate any material concerns relating to operational climate-related risk to the Global Risk Committee.

Examining the carbon emissions and intensity of the holdings in Orbis Global Equity[11]

Just as we need to understand the exposure of investee companies to climate-related risks and how management is managing those risks, 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 2023 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 long 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.

The Greenhouse Gas (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.[12] 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, recommended Scope 1 and 2 emissions as the minimum level of disclosure by companies in its 2017 report.

[11] Data in this section is for a representative account for the Orbis Global Equity Strategy.
[12] Since Scope 2 and Scope 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 revenue will have higher GHG emissions than a smaller peer with $1bn of revenues. The TCFD therefore recommended 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; and
- 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.

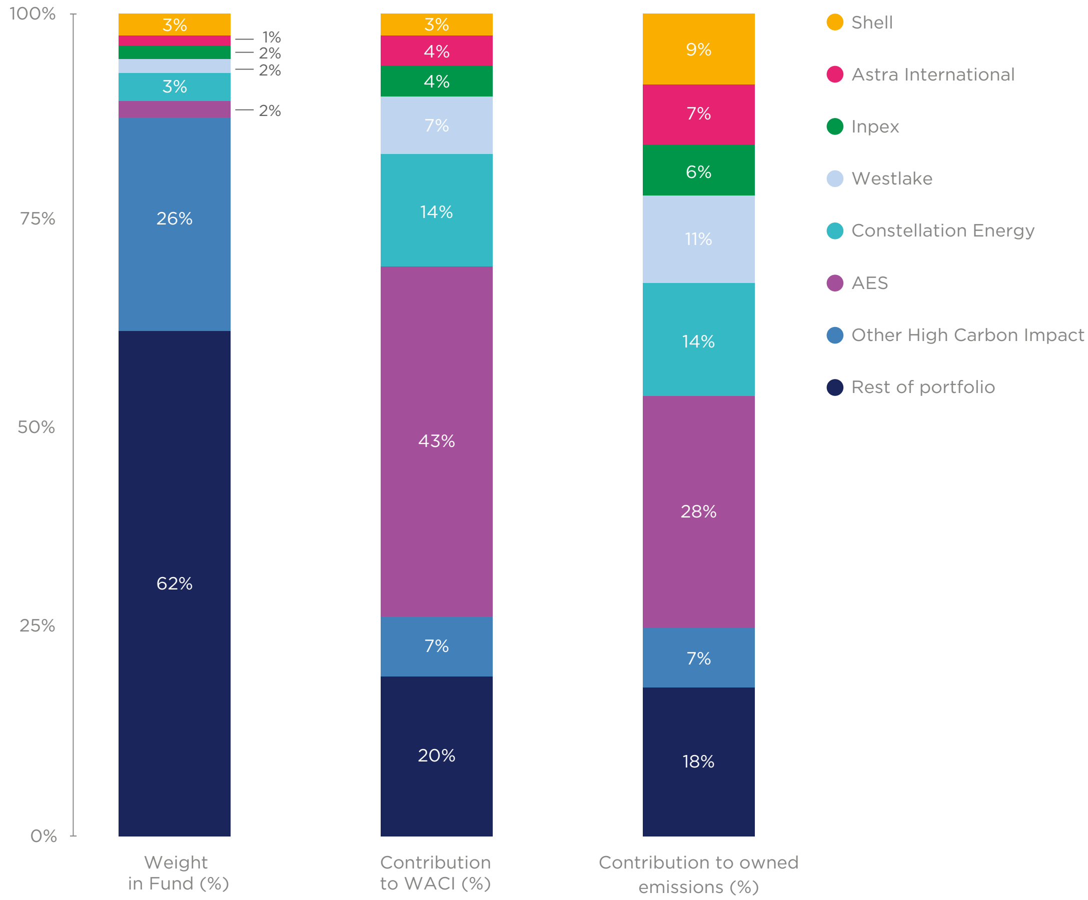
Owned Emissions is calculated by taking the value of the portfolio's holding in each company as a proportion of its enterprise value including cash (EVIC) and multiplying it by that company's total Scope 1 and 2 emissions to give the proportion of that company's emissions "owned" by the portfolio. A potential shortcoming of this metric is that changes in each investee company's share price and capital structure can result in changes in the portfolio's owned emissions.

Identifying high emitters in the portfolio

Top contributors to portfolio carbon emissions and intensity

The chart below shows the holdings that contributed more than 5% to Orbis Global Equity's WACI or owned emissions at 31 December 2023 (six companies in total), 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 (TPI's) high impact sectors, all companies in the Banks and Real Estate GICS sectors, and any other Climate Action 100+ focus company.[13] The definition aligns with that used by the Net Zero Investment Framework (NZIF).[14]



Data source: ©2024 S&P Trucost Limited ("Trucost"), an affiliate of S&P Global Market Intelligence. Data above is as at 31 December 2023 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) amounting to 1% 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.

As the above chart shows, emissions are not evenly distributed throughout the portfolio. In aggregate, the six companies broken out individually account for approximately 75% of the portfolio's WACI and owned emissions despite having a combined weighting of less than 15% of net asset value. **AES**, a 1.9% position in the portfolio, was by far the biggest contributor to total WACI (43%) and owned emissions (28%).

[13] TPI is a global initiative that assesses a 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 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 170 focus companies for engagement.
[14] Net Zero Investment Framework Implementation Guide (2021). An updated version of the NZIF was open for consultation until April 2024. Once the final guidance is available, we will consider updating our definition of High Carbon Impact stocks.

Assessment of the climate-related risks at top contributors

In this section we provide a high-level summary of our thinking on the climate-related risks facing the six leading contributors to the portfolio's WACI and owned emissions. In each case, we integrated these views into our assessment of intrinsic value at 31 December 2023 and felt the company's shares traded at a discount to intrinsic value at that date. Given the uncertainties involved in that assessment, paying what we believed to be a low price relative to intrinsic value was an important way of managing the risk of permanent capital loss.

AES is a global independent power producer and utility company based in the US. It is undergoing a decade-long transformation from coal-based power to renewables and aims to exit the majority of its coal-fired power generation by 2025. There is execution risk in exiting coal and in signing and completing enough renewables projects to make up for the fall in coal earnings, but we think AES is likely to complete this transition over our investment horizon.

Constellation Energy is the largest generator of carbon free energy in the US. 90% of its power comes from nuclear, making it a beneficiary of efforts to decarbonise. In 2023 it received federal subsidies for its round-the-clock nuclear generation which counters renewable intermittency. The company has signed 24/7 power deals with leading clean energy counterparties including Microsoft. It also stands to benefit from more widespread carbon pricing and/or further nuclear subsidies in the US.

Westlake is a US-based chemicals company whose core business makes PVC and related products used in the building industry, for example. Producing PVC requires a lot of energy, resulting in high carbon intensity, but it generally has lower lifecycle emissions than alternative materials for these applications. Westlake has a low carbon intensity relative to peers (especially Chinese producers, whose processes also result in mercury pollution) due to the ethane feedstock available in the US, so we believe it would be a beneficiary of costed carbon.

Inpex is Japan's largest oil and gas producer, with a portfolio of assets globally. The bulk of its earnings come from a 66% stake in the Ichthys LNG project off Australia—one of the world's largest. LNG emits less CO_2 than other fossil fuels (50% less than coal), and therefore plays a vital role in the energy transition, especially in Asia. LNG demand may fall more quickly than we expect and an Australian cap on emissions may lower profits, but we expect earnings to be resilient given limited global investment in new supplies of fossil fuels.

Astra International is an Indonesian conglomerate. Its autos business contributes around one-third to underlying profits and coal contributes approximately 20% (mostly from its mining contracting business). Dominance of the local automotive sector and opportunities to play a pivotal role in the supply chain through its mining contracting business position it well to transition to electric vehicles when affordability and infrastructure allow. Its quality and location in trade flows means Indonesian coal can meet continued demand from China and India. Astra has committed to invest coal profits in other commodities (such as gold and nickel) to align itself with government policy to attract capital to these cost-competitive industries.

See the case study on page 14 for our thinking on the climate-related risks at **Shell**.

Exposure to High Carbon Impact stocks

The previous analysis does not consider Scope 3 emissions, which can dwarf Scope 1 and Scope 2 emissions for a lot of companies. Disclosure of Scope 3 emissions is very limited, but they tend to be significantly concentrated within a few sectors—usually those with direct or indirect exposure to primary energy supply and generation. We therefore take a sector-based approach to identify any High Carbon Impact stocks (as defined on page 40) that may have above-average climate-related risks as a result of large Scope 3 emissions.

The following table shows the above-1% holdings in Orbis Global Equity 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)	**Other Industrials**	**6**	**9**
	BAE Systems	3	
	Howmet Aerospace	1	
	Sunrun	1	
	Oil and Gas	**5**	**4**
	Shell	3	
	Inpex	2	
	Electricity Utilities	**5**	**2**
	Constellation Energy	3	
	AES	2	
	Coal Mining	**3**	**2**
	Jardine Matheson Holdings	2	
	Astra International	1	
	Autos	**2**	**2**
	Bayerische Motoren Werke	2	
	Chemicals	**2**	**2**
	Westlake	2	
	Steel	**-**	**0**
	Airlines	**-**	**0**
	Diversified Mining	**-**	**1**
	Aluminium	**-**	**0**
	Pulp and Paper	**-**	**-**
	Shipping	**-**	**0**
Other	**Banks**	**15**	**6**
	Sumitomo Mitsui Financial Group	4	
	KB Financial Group	2	
	Shinhan Financial Group	2	
	Mitsubishi UFJ Financial Group	2	
	ING Group	1	
	Hana Financial Group	1	
	AIB Group	1	
	Real Estate	**1**	**2**
	Climate Action 100+	**-**	**3**
	Total	**38**	**37**
	At 31 December 2022	50	33

Source: Orbis, MSCI. Data is as at 31 December 2023. High Carbon Impact stocks with <1% exposure had an aggregate weight of 3%. They are included in the 38% 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.

The climate-related risks facing a number of these companies in the *Oil & Gas, Electricity Utilities, Coal Mining* and *Chemicals* sectors have been discussed elsewhere in this report. The previous table indicates that Orbis Global Equity has a material exposure to the *Banks* sector, where companies are considered to have high carbon impact due to the exposures to high-emitting companies within their loan and investment portfolios that form the largest component of Scope 3 emissions.

Sumitomo Mitsui Financial Group (SMFG) is the second-largest banking group in Japan. Around 7% of its total credit exposure is to the power generation, oil and gas, and thermal coal sectors (less than 1% of the 7% is to thermal coal). Climate-related risks may impact these and other borrowers' ability to service their debts. While specific loans may sour, we believe the company can manage these risks effectively over our investment horizon and beyond. It can reprice these loans if they become riskier or if capital requirements increase, and they form part of a diversified credit portfolio. SMFG's business touches all parts of Japan's highly-industrialised economy. It therefore has a key role to play in working with its customers and other stakeholders to finance Japan's energy transition, as reflected in its targets to reduce the greenhouse gas emissions within its credit exposure to various high-risk sectors.

Using our emissions reduction framework to assess high-emitting companies

In line with our climate commitments, we have used our emissions reduction framework to assess the progress high-emitting companies held in the portfolio are making to reduce their emissions in line with an increase in the average global 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 of emissions and setting near– or long-term targets, as well as to understand management's perspective on how the company is responding to climate-related risks and opportunities.

The mosaic on the following page contains our assessment of 15 companies held in Orbis Global Equity at 31 December 2023 that collectively accounted for more than 80% of owned emissions (including all of the top contributors identified on page 40) and the High Carbon Impact stocks identified on page 42 that represented the largest % of NAV at that date.

Our emissions reduction framework draws on principles from leading industry frameworks: the NZIF, TPI 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 2024 based on publicly available information.

Sector	Company	Reporting of emissions			Targets			Emissions performance†		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
Autos	Bayerische Motoren Werke	Reports substantially all emissions	Reports substantially all emissions	Independently assured	1.5 degrees	1.5 degrees	SBTi verified	Decreased	Decreased	ST or LT	Scenario analysis and/or TCFD supporter
Energy	Inpex	Reports substantially all emissions	Reports substantially all emissions	Independently assured	1.5 degrees	See note 1	Not science-based	Decreased	Decreased	ST or LT	Scenario analysis and/or TCFD supporter
Energy	Shell	Reports substantially all emissions	Reports substantially all emissions	Independently assured	1.5 degrees	Less than 2 degrees	Science-based^	Decreased	Decreased	ST and LT	Scenario analysis and/or TCFD supporter
Energy	Valaris	Reports substantially all emissions	Reports substantially all emissions	GHG Protocol	None	See note 1	Not science-based	Decreased	Decreased	None	Scenario analysis and/or TCFD supporter
Other Industrials	Astra International	Reports substantially all emissions	None	Independently assured	None	Less than 2 degrees	Not science-based	Decreased	Decreased	None	Working on TCFD-aligned reporting
Other Industrials	BAE Systems	Reports substantially all emissions	Some	Independently assured	1.5 degrees	1.5 degrees	Science-based^	Decreased	Decreased	ST or LT	Scenario analysis and/or TCFD supporter
Other Industrials	Howmet Aerospace	Reports substantially all emissions	Reports substantially all emissions	Independently assured	None	1.5 degrees	Science-based^	Decreased	Marginal/No change	Some linkage	Scenario analysis and/or TCFD supporter
Other Industrials	Sunrun	Reports substantially all emissions	Reports substantially all emissions	GHG Protocol	1.5 degrees	See note 1	Not science-based	Increased	Increased	None	Scenario analysis and/or TCFD supporter
Other Industrials	Westlake	Reports substantially all emissions	None	GHG Protocol	None	See note 1	Not science-based	Decreased	Decreased	None	Working on TCFD-aligned reporting
Utilities	AES	Reports substantially all emissions	Reports substantially all emissions	Independently assured	1.5 degrees	Less than 2 degrees	Not science-based	Decreased	Decreased	ST and LT	Scenario analysis and/or TCFD supporter
Utilities	Constellation Energy	Reports substantially all emissions	Reports substantially all emissions	Independently assured	1.5 degrees	1.5 degrees	Science-based^	Decreased	Decreased	None	None
Banks	KB Financial Group	Reports substantially all emissions	Reports substantially all emissions	Independently assured	1.5 degrees	1.5 degrees	SBTi verified	Decreased	Decreased	Some linkage	Scenario analysis and/or TCFD supporter
Banks	Mitsubishi UFJ Financial Group	Reports substantially all emissions	Some	Independently assured	1.5 degrees	1.5 degrees	Not science-based	Increased	Increased	ST or LT	Scenario analysis and/or TCFD supporter
Banks	Shinhan Financial Group	Reports substantially all emissions	Reports substantially all emissions	Independently assured	1.5 degrees	1.5 degrees	SBTi verified	Increased	Decreased	ST and LT	Scenario analysis and/or TCFD supporter
Banks	Sumitomo Mitsui Financial Group	Reports substantially all emissions	Some	Independently assured	1.5 degrees	1.5 degrees	Not science-based	Marginal/No change	Decreased	ST or LT	Scenario analysis and/or TCFD supporter

Source: Orbis using information from company reports, ©2024 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.
^Company states its targets are science-based but they have not been verified by SBTi.
†We calculate emissions performance using a starting period that is five years before the most recently reported period or, if earlier, the designated base year for the company's emissions reduction target.
*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, and uses orange shading to indicate that executive remuneration may be linked to climate metrics.
See next page for note 1.

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

Note 1

We draw on guidance from the Science Based Targets initiative (SBTi)[15] and TPI to assess the alignment of company emissions reduction targets. All the companies in the table on the previous page have set absolute near-term emissions targets apart from **AES**, **Inpex**, **Sunrun**, **Valaris** and **Westlake**, which have set intensity-based near-term emissions targets. We assess the alignment of absolute near-term emissions targets using SBTi's Linear Annual Reduction (LAR) method. This considers a company's absolute target as aligned with 1.5°C if its LAR is greater or equal to 4.2% and as aligned with well below 2°C is if its LAR is greater or equal to 2.5%. Intensity-based targets need to be assessed using sector-specific pathways. Both the SBTi and TPI provide guidance on sector-specific pathways for some sectors. We have been able to use the TPI sector benchmark for Electricity Utilities to assess AES' target as being aligned with well below 2°C but there is currently no guidance available from SBTi or TPI that would allow us to assess the alignment of the targets set by Inpex, Sunrun, Valaris or Westlake. We continue to monitor this area.

The vast majority of the companies assessed report emissions, including Scope 3. Most have also set targets and are making reasonable progress to reduce their emissions. Some potential issues flagged by the framework did not cause concern after further investigation, such as the increase in absolute emissions and emissions intensity at both **Mitsubishi UFJ Financial Group (MUFG)** and **Sunrun**.

MUFG recently changed its scope of aggregation and calculation method for Scope 1 and 2 emissions to align with the GHG Protocol. As a result, our assessment was not a like-for-like comparison.

Sunrun installs solar panels that help to reduce carbon emissions. It is important to interpret the increase in the company's own Scope 1 and 2 emissions in this broader context. According to the company, the emissions avoided by using its solar energy systems over their 30-year life are 15 times greater than the emissions generated during deployment and installation. We therefore view the increase in Sunrun's Scope 1 and 2 absolute emissions as a sign that it is contributing to the transition to a lower-carbon economy. While emissions intensity increased from the company's 2021 baseline year, it has fallen over longer time periods.

In other cases, the framework has helped us to identify areas for additional research and to discuss with company management.

This year we assessed **Astra International** against our framework for the first time and instead of Jardine Matheson, its parent company, because Astra contributed to most of Jardine's emissions. Astra supports Indonesia's efforts to achieve net zero emissions by 2060 and is working to identify its own pathway to net zero. The company has set an interim target to reduce absolute Scope 1 and Scope 2 emissions by 30% by 2030 (from a 2019 base year) which we have assessed as being aligned with well below 2°C (see note 1 above). It has also committed to acquiring no new coal mines and to making no new investments in coal-fired power plants. Absolute Scope 1 and Scope 2 emissions fell by 10% over the past three years and the company is on track to meet its 2030 target. Astra currently does not disclose Scope 3 emissions, which are substantial given its focus on automotive and mining businesses, but is working towards doing so. We have encouraged it to focus such disclosure on material Scope 3 categories.

[15] SBTi is a corporate climate action organisation that aims to enable companies and financial institutions worldwide to play their part in combating the climate crisis. SBTi develop standards, tools and guidance which allow companies to set greenhouse gas emissions reduction targets in line with what it believes is needed to keep global heating below catastrophic levels and reach net zero by 2050 at latest.

Westlake has a target to reduce emissions intensity by 20% by 2030 (from a 2016 base). Chemicals is a "hard-to-abate" sector for which SBTi has yet to provide guidance (see note 1 on previous page). We estimate that Westlake's intensity target is aligned with below 2°C but have encouraged management to consider aligning any new reduction targets with well-recognised chemicals sector specific pathways (once available) to further their credibility, especially in the absence of long-term targets. The company has not set a long-term target because it only makes commitments when it has a reasonable expectation and plan for achieving them. Emissions intensity (per ton of production) has fallen by ~10% over the past three years and absolute Scope 1 and Scope 2 emissions have marginally decreased. Westlake management is evaluating the disclosure of Scope 3 emissions.

This year we assessed **Valaris** against our framework for the first time, after changes in the portfolio's holdings resulted in it becoming one of the group of companies that contributed 80% of owned emissions. Our initial findings have helped us to identify areas for further investigation in 2024.

Portfolio-level emissions for Orbis Global Equity

In recognition of the growing need from clients and regulators for investment managers to measure and report on climate-related exposures of our portfolios, in this section we examine the portfolio-level emissions of 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 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 as we do not believe it is in the interests of clients. 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. Interim targets may force the managers of such portfolios to sell shares in companies that have relatively high carbon emissions regardless of their valuation—and even if they are taking actions to reduce their emissions in a responsible manner. Setting targets for portfolio-level emissions 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 the climate-related commitments set out in Appendix 4.

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: ©2024 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. Coverage at 31 December 2023 was 97%. Holdings which do not have any available data and the portfolio's net current assets (for example, cash and receivables) are excluded, 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 at 31 December 2023 in the chart on page 40: AES, Constellation Energy, Westlake, Astra International and Shell.

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 WACI was largely driven by our decisions to establish a small position in AES in 2021 that we then built further, and new positions in companies that were leading contributors to WACI and owned emissions at 31 December 2023, as shown on page 40.

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 33% over the last three reporting periods. By contrast, the WACI of the MSCI ACWI decreased significantly less over the same period.[16]

	Constant-weight WACI: Scope 1 and 2 emissions for the 31 Dec 2023 portfolio, as reported		
	Two years prior	**One year prior**	**Most recently**
Orbis Global Equity	225	180	150
Cumulative change		*-20%*	*-33%*
MSCI All Country World Index	135	151	111
Cumulative change		*12%*	*-18%*

Data source: ©2024 S&P Trucost Limited ("Trucost"), an affiliate of S&P Global Market Intelligence. WACI is measured in tonnes of CO_2e per US$ million of revenue. Constant-weight WACI is calculated by taking the position sizes in the portfolio at 31 December 2023 and then using the WACI reported by each investee company for the past three years.

The biggest drivers of the fall in the portfolio's constant-weight WACI were declines in carbon intensity of more than 30% at AES and of more than 50% at Inpex and Westlake. This predominantly reflected growth in each company's revenues—one of the limitations of WACI as described on page 39 and a trend that could reverse in future.

Orbis Global Equity: owned emissions

Orbis Global Equity's owned emissions (Scope 1 and 2) were around 93,000 tonnes of CO_2-equivalent emissions, or 60 tonnes per $1m invested in this representative account at 31 December 2023. That compares with 96 tonnes per $1m invested a year earlier. The main drivers of this decline were the portfolio owning a smaller share of AES' emissions, and selling out of several top contributors, such as Glencore, Kinder Morgan and Chesapeake Energy.

Holding constant the position sizes of the six stocks identified in the chart on page 40, their aggregate owned emissions decreased by a cumulative 2% in the last two reporting periods, based on emissions data obtained from company reports. The main contributors to this marginal decline were Shell and Inpex, each of whose Scope 1 and 2 emissions fell by more than 10% during that time, while Astra International and Constellation Energy reported increases of a similar magnitude.

[16] We did not hold portfolio positions constant for the MSCI ACWI because changes to weightings in individual position sizes are much less dramatic than for Orbis Global Equity.

Orbis Global Equity: investee company commitments to net zero

As at 31 December 2023, 37 out of 65 investee companies held by Orbis Global Equity (57% of total) had committed to net zero. These companies made up 59% of the portfolio's net asset value at that date. We consider a company to have a net zero commitment if the commitment includes at least one scope of emissions and is company-wide.[17]

Data limitations

We source investee company emissions data for use in portfolio analysis from S&P Trucost. Although it is becoming more common for companies to disclose emissions data, many have yet to do so. We must therefore rely on estimates from S&P Trucost to fill gaps. These estimates can differ materially from actual emissions, reducing the accuracy of the metrics we report. If S&P Trucost does not provide reported or estimated emissions data for a company, we exclude it from our analysis. Since company reporting of emissions can significantly lag their reporting of financial information, the emissions data included in our analysis may not be for the latest financial year.

There is currently no requirement for companies to follow a particular GHG framework when measuring emissions, although guidance is available. This can lead to inconsistency in how companies measure emissions and what is included in the calculation. For example, there are differing approaches to determining the organisational boundaries that outline the emissions a company has direct control over. Differences in the quality of reported data will impact the accuracy of our reported metrics.

[17] These figures were correct as at 31 January 2024.

OUR FIRM AND OWNER

Our firm's mission, 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 $33 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.

Mission 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 1), 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 mission 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 believe that having a values-based, high performing, diverse, and inclusive culture is critical to achieve our mission—to transform lives by investing over the long term to enhance our client's savings and wealth.

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. Last year, we released our first D&I Progress Report which can be found on our website. In it, we describe our D&I Vision, discuss our approach to D&I, and share our progress.

Areas we have progressed to date include updated recruitment processes to build a more diverse talent pipeline and interrupt bias in our selection processes, agile (flexible) working, updated parental leave and support policies, firmwide education to raise awareness, and integrated measurement. All these actions are intended to translate into meaningful long-term outcomes for our clients.

Going forward, we will continue to focus attention and resources on integrating D&I into our business priorities and culture. Our near to medium term focus areas include:
We strive to be a firm where:

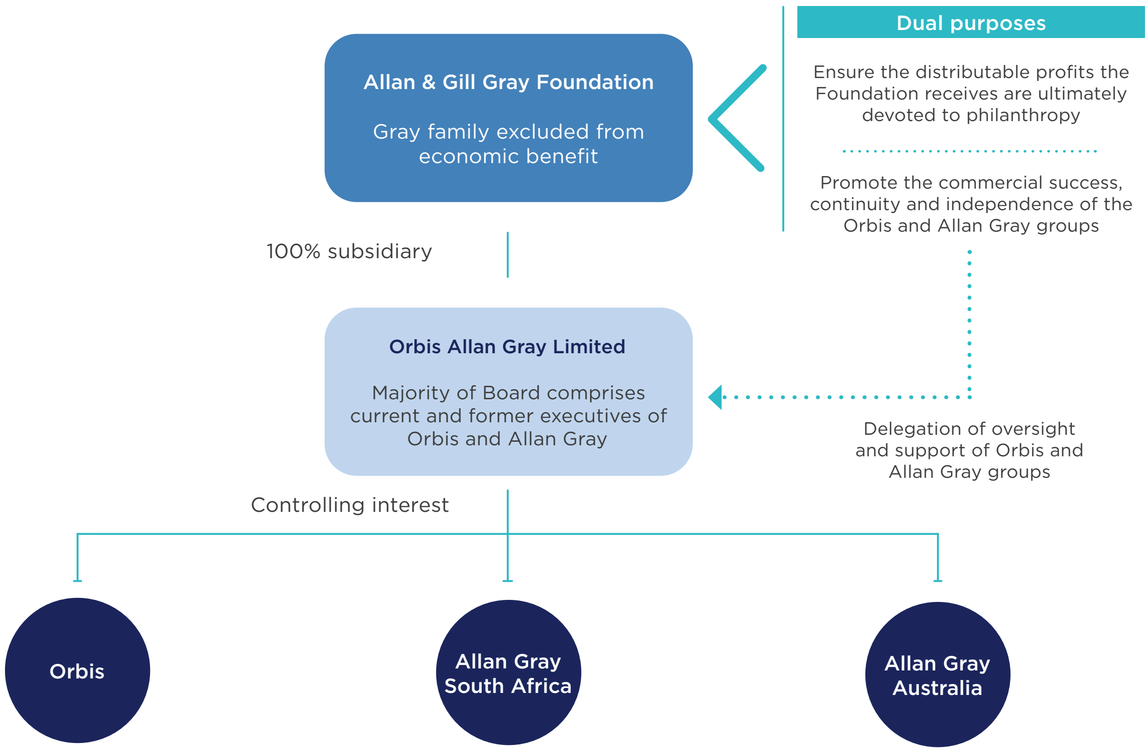
- Offering further education including inclusive leadership education;
- Reviewing exit interview processes to ensure that we are receiving transparent feedback when people leave;
- Implementing a pilot mentorship programme;
- Making internal opportunities more transparent;
- Integrating progress on D&I commitments into our assessment of leaders' performance; and
- Integrating D&I considerations into our investment process and how we engage with investee companies.

We know we still have work to do. We are inspired by the progress that we have made thus far and excited to continue to listen to and learn from our people and our partners in the industry, as we work to achieve our goals.

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 as described below.

- 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 programs

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: OUR CORE VALUES

Earn the trust and confidence of our clients

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

Excel in all that we do

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

Foster a purposeful and fulfilling work environment

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

Recruit and reward based on value creation for clients

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

Take a long-term perspective

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

Act responsibly

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

APPENDIX 2: 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.

Stage	Overview of Stock Selection and Stewardship Processes	Integration of Responsible Investing ("RI") Considerations 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 RI considerations
Phase 1, 2, 3 research Thesis defence	**Independent fundamental research** Structured process to filter ideas with only the most promising moving to the next phase **Peer review** Policy Group Meeting is a forum for rigorous peer review, not a decision-making body	• We **identify** and **analyse** potentially material risks and opportunities related to RI considerations that may affect a particular company • We **integrate** material RI considerations into our assessment of intrinsic value • All Phase 3 research reports that are submitted to a Policy Group Meeting **include** a section on relevant RI considerations • Participants can **submit** questions on RI considerations for discussion in the meeting
Best ideas The portfolio	**Portfolio management** Client capital is directed into the highest conviction ideas while considering risk and currency inputs when selecting/sizing positions	• We **purchase** securities trading at a discount to our assessment of intrinsic value* • RI considerations can impact our assessment of a security's risk-adjusted return potential—and thus security selection and position-sizing decisions
Stewardship	**Active ownership** Investment decision-makers aim to further our clients' interests by engaging and voting; Reject Judiciously Meetings called as appropriate	• We **monitor** material RI considerations at investee companies • We **engage** with investee companies when we believe it would further our clients' interests • We **vote** at shareholder meetings, striving to act in the interests of the Orbis Funds and their investors • We will **divest** from a company if we do not believe it is responsible to participate in its profits

*RI considerations do not automatically prevent us from investing in a company unless otherwise restricted by a Fund's investment mandate.

APPENDIX 3: 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 2023

Proposal type	Votes with management's recommendation	Votes against management's recommendation	
	#	#	%
Audit/Financials	25	0	0
Board related	369	26	7
Capital management	1	0	0
Changes to company statutes	6	1	14
Compensation	10	0	0
Shareholder resolutions			
Compensation	5	1	17
Environment	1	0	0
Governance	9	4	31
Total	**426**	**32**	**7**

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

Orbis International Equity: voting record for 2023

Proposal type	Votes with management's recommendation	Votes against management's recommendation	
	#	#	%
Audit/Financials	115	0	0
Board related	505	8	2
Capital management	68	11	14
Changes to company statutes	33	0	0
Compensation	93	4	4
Mergers and acquisitions	5	2	29
Meeting administration	3	0	0
Other	11	0	0
Shareholder resolutions			
Environment	7	0	0
Governance	5	0	0
Total	**845**	**25**	**3**

During the period, we submitted votes at 97% of possible meetings.

Orbis Emerging Markets Equity: voting record for 2023

Proposal type	Votes with management's recommendation	Votes against management's recommendation	
	#	#	%
Audit/Financials	66	0	0
Board related	160	8	5
Capital management	33	10	23
Changes to company statutes	16	0	0
Compensation	58	14	19
Mergers and acquisitions	3	0	0
Meeting administration	13	2	13
Shareholder resolutions			
Governance	2	1	33
Total	**351**	**35**	**9**

During the period, we submitted votes at 97% of possible meetings.

Orbis Global Balanced: voting record for 2023

Proposal type	Votes with management's recommendation	Votes against management's recommendation	
	#	#	%
Audit/Financials	152	1	1
Board related	672	7	1
Capital management	81	4	5
Changes to company statutes	33	0	0
Compensation	123	7	5
Mergers and acquisitions	0	1	100
Meeting administration	5	0	0
Other	12	0	0
Shareholder Resolutions			
Compensation	6	0	0
Environment	8	0	0
Governance	16	1	6
Social	1	0	0
Total	**1,109**	**21**	**2**

During the period, we submitted votes at 99% of possible meetings.

APPENDIX 4: 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 2024.

	Commitment	Progress to end of December 2023	Priorities for 2024
1	**Engage** with investee companies to request disclosure of Scope 1-2 emissions, and relevant Scope 3 for companies in High Carbon Impact sectors.	Engaged with non-disclosers of Scope 1 and Scope 2 emissions held at 30 June 2023 across the Orbis Funds to explain why we would find this information useful.	Engage with any companies newly held in the Orbis Funds at 31 December 2023 that do not disclose Scope 1 and Scope 2 emissions and seek updates from companies we contacted previously. Look into engaging on relevant Scope 3 emissions, starting with companies held in Orbis Global Equity.
2	**Monitor** changes in emissions for investee companies.	Monitored the change in emissions for high-emitting investee companies held across the Orbis Funds and the portfolio in aggregate for Orbis Global Equity.	Consider extending portfolio-level monitoring to selected other strategies.
3	**Develop and use a 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.	Used our framework to assess 29 high-emitting investee companies held across the Orbis Funds.	Continue to use the framework to assess high-emitting investee companies held across the Orbis Funds.
4	**Engage** with high emitters that do not appear to be on the right path	Met with selected high emitters held across the Orbis Funds to further our understanding of their emission reduction plans and raise any concerns, based on the assessment above.	Continue to meet with high emitters, either for an update on their progress since our last meeting or when our assessment identifies new areas of potential concern.
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**.	Evaluated the Net Zero Asset Managers initiative (NZAMi) and decided not to join.[18]	Evaluate joining Climate Action 100+.
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; and • Emissions of our own operations and efforts to reduce them.	Disclosed in this and previous Stewardship Reports.	Consider disclosing portfolio-level metrics for other Strategies in next Stewardship Report (currently available on request).

[18] 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 5: CARBON FOOTPRINT OF OUR OPERATIONS

The table below shows the Scope 1, 2, and 3 emissions of our operations, calculated according to the GHG Protocol standards, for the last two years and for 2019 (the latest full year before the Covid-19 pandemic). Scope 1 and 2 emissions are linked to fossil fuel combustion and electricity use in our offices, while Scope 3 emissions are those from business-related air travel only.

	Greenhouse gas emissions (tonnes CO_2e)			% change in 2023 vs	
	2019	2022	2023	2022	2019
Scope 1	163	130	100	-23%	-39%
Scope 2	725	459^	420	-8%	-42%
Scope 1 and 2	**888**	**589**	**520**	**-12%**	**-41%**
Scope 3*	2,872	1,330	2,460	85%	-14%
Total	**3,760**	**1,919**	**2,980**	**55%**	**-21%**
Total per full-time employee	**8.6**	**4.3**	**6.6**	**53%**	**-23%**

*Air travel only. ^Restated to reflect amended figures for our Australian operations.

Significant year-on-year growth in emissions from business air travel (Scope 3) stands out among this year's figures. This resulted from to the combination of increased travel as activity continued to normalise following the Covid-19 pandemic and some significant changes to the industry standard emission factors used to convert distance flown into tonnes of CO_2-equivalent emissions.

Changes in load factors impact emissions factors with a lag. This is why lower load factors during the pandemic caused emission factors to rise in 2023—by as much as 35% for long-haul flights. With nearly 80% of our business air travel miles being long haul, this change had a meaningful impact on Scope 3 emissions. To illustrate this point, using the emission factors for 2022 (which were similar to 2019) to calculate the figures for 2023 would have resulted in a decrease of 36% from 2019 levels (not 14%, as shown in the table above). This underlying decline was primarily due to the total distance flown being approximately 25% lower in 2023 than in 2019.

Aggregate Scope 1 and 2 emissions were 12% lower in 2023 than in 2022. Gas use fell by more than 20% in the offices that rely on it for heating, likely influenced by milder weather. Some of our smaller locations, such as Tokyo and Hong Kong, experienced lower electricity emission factors as grids got cleaner but these factors changed little in Bermuda and London, which contribute the most to our overall carbon footprint. Space optimisation in our Bermuda and Hong Kong locations was the main reason why aggregate Scope 1 and 2 emissions declined by around 40% from 2019 levels.

NOTICES

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