

ENVIRONMENTAL SOCIAL GOVERNANCE (ESG) FRAMEWORK: CORPORATE

1. Introduction

As stewards of our client's assets and a Johannesburg Stock Exchange (JSE) listed entity, Coronation Fund Managers (Coronation) recognizes its responsibilities in its various roles as asset manager, client fiduciary, corporate citizen and consumer. This extends to playing an active and constructive role in shaping a financial industry that meets the long-term needs of all investors, which in turn will ensure the success and sustainability of our business well into the future.

Our vision is to deliver excellence to our clients through investment performance and client service. We do this by actively focusing on the long term in all aspects of our business, including building client portfolios that are able to outperform the market over meaningful periods, nurturing lasting relationships with our clients and running all other aspects of our business in an efficient manner.

Accordingly, we believe that appropriate consideration of Environmental, Social and Governance (ESG) factors play an important role in driving the success of our business. This policy sets out Coronation's approach to incorporating ESG across the business as a corporate entity and in relation to its operations as a corporate.

2. Scope

This Policy is applicable to Coronation and all its subsidiaries. The Policy addresses Coronation's approach to ESG as a responsible corporate citizen and describes how ESG considerations are embedded in the way in which we organize and conduct ourselves. ESG considerations in relation to our investment process and management of our clients' assets are separately addressed in our ESG Framework: Investments and associated proxy voting principles.

3. Group wide ESG Integration

Strong corporate governance and a focus on the long-term is always at the forefront of decision making within Coronation. ESG factors must accordingly be applied across the business internally as well as in our interaction with society, and in particular, the following should be applied:

3.1 Environment

Coronation is committed to the ongoing assessment of:

- > The direct and indirect impacts of its activities on the environment;
- > Setting appropriate objectives and targets;
- > Monitoring and continuous improvement of its environmental performance; and
- > Ensuring compliance with applicable local, national and international law.

Where practically possible, every effort should be made to minimize the impact of the business on the environment through inter alia:

- > Maintaining "Green Buildings";
- > Purchasing of carbon-offsets as appropriate;
- > Recycling renewable resources such as paper.

Initiatives undertaken by Coronation to limit its impact on the environment and adhere to targets set should be periodically monitored and disclosed to stakeholders as appropriate. We became an official supporter of the Task Force on Climate-related Financial Disclosures (TCFD) in 2019 and as a corporate we officially adopted the framework in the 2021 financial year, refer to annexure A.

Policy	ESG Framework: Corporate
Committee Approval:	SET - 2 November 2022
Board Approval:	17 November 2022

3.2 Social

Our people are our greatest assets and as such, our culture and remuneration structures have been designed to recognise and reward exceptional long-term performance. In building and maintaining our world-class team of professionals:

- Structures must be established to ensure that employment equity and transformation remain interwoven with our initiatives to attract, retain and motivate talented individuals. Recruitment and selection policies should endeavor to create opportunities for previously disadvantaged and designated groups. This should be undertaken in accordance with a defined five year Employment Equity Plan;
- Social impact investing plays a critical role in our transformation journey and we believe that the effective development and transfer of skills are essential to the transformation of the investment management industry. As a result, Coronation should actively support industry development programmes, programmes benefitting communities in its areas of operation; development of the youth and the consumer; and
- Coronation should use its membership of industry bodies, such as the Association for Savings and Investment in South Africa (ASISA), to participate in and/or collaborate on matters that will achieve a consistent approach to promoting responsible and social impact investing across the financial services industry.

3.3 Governance

Robust corporate governance is the overarching principle of all Coronation’s business activities, led by our unitary Board and supported by its subcommittees.

Coronation accordingly subscribes to the principles set out in the King Report on Corporate Governance for South Africa (King Report) which affirms our existing approach to long-term sustainability and integrated thinking.

In demonstrating its commitment to good governance, Coronation must make annual disclosure to its stakeholders on its application of the prevailing King Report.

Coronation believes that applying these principles largely complements our existing investment philosophy and improves our ability to meet our commitments to clients. It additionally allows us to better align our business activities and corporate culture with the broader interests of society, and thereby address the needs of a wide range of stakeholders.

4. Ownership of policy and ongoing review

The execution of this policy is overseen by the Chief Executive Officer and is subject to review at least annually. Compliance with this policy is assessed annually in preparing information for disclosure to stakeholders.

Policy	ESG Framework: Corporate
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ANNEXURE A:

Task Force on Climate-related Financial Disclosures corporate adoption

One of the most pressing challenges in the current environment is the lack of consistency in reported company data on sustainability-related measures. Coronation has identified the Task Force on Climate-related Financial Disclosure (TCFD) as a useful reporting framework that is increasingly being adopted as a corporate disclosure standard for climate related matters. The TCFD develops recommendations for more effective climate-related disclosures to enable better understanding of the financial system’s exposure to climate-related risks, and to therefore support more informed investment decision-making. Coronation became an official supporter of the TCFD in 2019. The investment team has already engaged a number of investee companies to encourage adherence to the TCFD reporting framework, and will continue to drive this initiative. The aim is to encourage both the financial services industry and sectors across the board to coalesce around a global standard that could be used as a baseline to support meaningful engagement on how to improve investee companies’ climate-related activities. In addition, we believe that this reporting framework can help companies demonstrate the extent to which they have factored material environmental and social considerations into the long-term strategies and daily operations of companies. As a corporate we officially adopted the framework in the 2021 financial year, refer below for a summary of our implementation of the TCFD framework.

GOVERNANCE	
Recommendation	CFM Implementation
Disclose the organisation’s governance around climate-related risks and opportunities.	
Describe the Board’s oversight of climate-related risks and opportunities.	<p>The Board is the overall strategy-setting body in the CFM Group, including developing a comprehensive strategy to identify and address climate-related risks and opportunities.</p> <p>The group Audit and risk Committee (ARC) is responsible for overseeing the climate-related risks on behalf of the Board. The ARC assists the Board in the oversight of accurate integrated reporting and financial statements in compliance with all applicable legal, regulatory and reporting requirements and standards, including reporting in terms of TCFD.</p>
Describe management’s role in assessing and managing climate-related risks and opportunities.	<p>The Board committees rely on management for the implementation of strategies and initiatives, to which the primary contributors are the Executive Committee (Exco). Exco provides managerial oversight of climate-related risks and opportunities, with the CEO as the identified key individual responsible for the ESG integration at the corporate level, and the CIO, who is responsible for ESG integration in the investment process.</p>

Policy	ESG Framework: Corporate
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STRATEGY

Recommendation	CFM Implementation
Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning where such information is material	
Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long terms	CFM has a limited carbon footprint however we are increasing our focus on climate related risks and opportunities. Climate related risks include reputational, regulatory and physical climate related risks. Climate related opportunities are still being investigated.
Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning.	Climate related risks and opportunities are considered as a part of the overall strategy setting for the organization. Furthermore we aim to neutralize our corporate carbon footprint on an annual basis with various mechanisms for neutralization considered including the purchase of carbon credits. CFM considers and mitigates the potential financial implications of physical climate related risks.
Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	CFM has a small carbon footprint, however we endeavor to manage it and other climate related risks closely and we aim to neutralize this footprint on an annual basis. Given the nature of our business, we believe that a 2 C change in temperature will not have a significant impact on our corporate operations . That said, the impact of a 2°C or lower scenario is managed as a part of our overall business continuity plan and processes.
Describe how risks and opportunities are factored into relevant products or investment strategies and describe related transition impact	<ul style="list-style-type: none"> • Climate change is a material investment risk that we factor into our investment process, as we do for all other risks that affect the long-term value of our investments. Our approach to tackling climate change uses the same three-pronged approach of integration, engagement and collaboration that we apply to our other stewardship activities. • Product development, where appropriate

RISK MANAGEMENT

Policy	ESG Framework: Corporate
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Board Approval:	17 November 2022

Recommendation	CFM Implementation
Disclose how the organisation identifies, assesses, and manages climate-related risks.	
Describe the organisation’s processes for identifying and assessing climate-related risks.	<p><i>Our risk identification is described in our Group Risk Management Framework. For climate related risks the following risk identification methods are applicable:</i></p> <ul style="list-style-type: none"> • <i>Interaction with business on a day-to-day basis;</i> • <i>Industry research; and</i> • <i>Having risk identification workshops.</i>
Describe the organisation’s processes for managing climate-related risks.	Key mitigating strategies and detailed action plans that need to be implemented to mitigate and manage risks are established;. Tasks are assigned to the responsible owners and appropriate deadlines are agreed. CFM has rigorous and regularly tested business continuity and disaster recovery processes to ensure we are able to continue to operate effectively in the event of a business disruption including those related to physical climate risks. Furthermore CFM has insurance cover for key insurance risks including the potential financial implications of physical climate related risks.
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s overall risk management.	<ul style="list-style-type: none"> • <i>We consider a balanced approach to managing climate risks by integrating climate related risks into risk management within the broader risk management processes of the organisation to be the most appropriate risk mitigation approach..</i> • <i>This will be achieved by including climate-related risks on the group risk register, mitigating and reporting on these risks in the same manner as non-climate related risks.</i> • <i>Climate-related risks, like non-climate related risks, are ranked, rated and treated in terms of the Group Risk Management Framework.</i>
Describe engagement activity with investee companies to encourage better disclosure and practices related to climate-related risks in order to improve data availability and asset managers’ ability to assess climate-related risks.	<p>We became an official supporter of the TCFD in 2019 and we encourage companies to adopt disclosure practices that are in line with the TCFD’s recommendations so that investors can better assess the robustness of a company’s strategies. Starting in the fourth quarter of 2020, we have sent letters to 89 listed South African companies to explain these issues and to urge them to adopt the TCFD’s recommendations as part of their reporting process</p> <p>We ask that boards and senior management teams to commit to implementing strong governance frameworks that clearly articulate board accountability and oversight of climate-change risks and opportunities. We also look for clear emission reduction targets, credible plans to meet these targets and consistent disclosure on their progress towards achieving their objectives. This enables us and other stakeholders to drive accountability within companies on their climate-related activities.</p>

Policy	ESG Framework: Corporate
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METRICS AND TARGETS	
Recommendation	CFM Implementation
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	<ul style="list-style-type: none"> • Corporate carbon footprint disclosure as per the Integrated Annual Report • Client Portfolio carbon intensity disclosure as per Stewardship Report
Describe the metrics used to assess climate-related risks and opportunities in each product or investment strategy.	As a fundamental investment manager, material ESG factors are integrated into the valuation and investment decision-making process for every security in the investment universe. This includes a detailed consideration of material climate-change risks and opportunities.
Asset managers should provide the weighted average carbon intensity, where data are available or can be reasonably estimated, for each product or investment strategy.	All strategies, at present, have carbon exposure levels below that of an investment in the appropriate index tracker for each strategy. The annual Stewardship Report outlines the carbon intensity of select strategies, as well as Coronation's thinking around decarbonisation. We advocate the adoption of TCFD by companies in order to improve the reliability of data, to ensure these and other measures are robust and support appropriate benchmarking.
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	The details of Coronation's greenhouse gas emissions included in the Integrated Annual Report
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	<p>Climate-related metric(s) identified for <u>transition risk</u> monitoring and management at an organizational level include:</p> <ul style="list-style-type: none"> • Total carbon emissions • Carbon footprint • Carbon intensity • Weighted-average carbon intensity

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