Report 2019

CORONATION

TRUST IS EARNED™

SINCE WE OPENED OUR DOORS

18 employees

1993 Coronation Fund Managers opens its doors

1994 First democratic elections in South Africa

1996 Unit trust company formed

1997 Namibia Asset Management and Unit Trust Managers launched

NAMIBIA ASSET MANAGEMENT

72 employees

1998 Established FinSource (now Maitland)

1999 Founded African Harvest Fund Managers

2001 Launched Kagiso Asset Management

KAGISO Asset Management

2002 Raging Bull Unit Trust Company of the Year

2003 Best Unit Trust Provider in PwC Survey of SA Bankers

1st SA asset manager to gain GIPS compliance

CFA Institute

2004 Raging Bull Unit Trust Company of the Year

2005 Raging Bull Unit Trust Company of the Year

Formed Imvula Trust – our B-BBEE partner

2006 Symmetry Hedge Fund Award: Granite Fixed Income

Established Coronation Business Support Programme for black stockbrokers

2007 Launch of Global Emerging Markets unit trust fund

Signatory to the UN Principles for Responsible Investment

PRI Principles for Responsible Investment

2008 Launched 2 Africa strategies

2010 Ai Index Series: Best Africa Fund Manager

2011 Morningstar SA: Best Large Fund House

Africa Fund Manager Performance Award: Coronation Top 20 (best SA Equity Fund)

POA Imbasa Yegolide: Equities Manager of the Year

218 employees

2012 Morningstar SA: Best Large Fund House

Ai Index Series: Best Africa Fund Manager

Sunday Times Top 100: 3rd Best-performing Company over 5 years

2013 Morningstar SA: Best Large Fund House

Sunday Times Top 100: Top Performing Company over 5 years

Raging Bull: Best SA Management Company 2012

Financial Mail Top Companies: Overall winner

2014 Morningstar SA: Best Large Fund House

Sunday Times Top 100: Top-performing Company over 5 years

Raging Bull: Best SA Management Company 2013

Financial Mail Top Companies: Overall winner

2015 Morningstar SA: Best Large Fund House

Raging Bull: Best SA Management Company 2014

Batseta Imbasa Yegolide Equities Manager of the Year; Global Manager of the Year

Financial Mail Top Companies: Overall winner

2016 Founding member of ASISA Stockbroker Development Programme

ASISA

2017 Ai Index Series: Best Africa Fund Manager

2018 Ai Index Series: Best Africa Fund Manager

Established Intembeko Investment Administrators

INTEMBEKO

331 employees

2019 Invested R10m in SA SME Fund

Contents

Foreword

Stewardship evolving

SINCE OUR INCEPTION in 1993, we have observed how stewardship in investment markets has evolved from being a fringe to a mainstream consideration. But, at Coronation, it has long been part of our investment DNA.

This is because we believe that integrating sustainability factors into the investment process leads to better-informed investment decisions and, ultimately, better long-term, risk-adjusted returns for our clients. As the role of stewardship has grown in importance, prominence and complexity, so too has our understanding and knowledge of the different aspects that can affect a company materially over the long term. Drawing on these insights, we have been active stewards of our clients' capital for almost 30 years.

Short-termism is still one of the biggest challenges in markets, with many market participants paying lip service to stewardship – treating it as a tick box or marketing exercise – but reluctant to challenge companies effectively on some tough issues. In fact, many still view stewardship as simply voting at annual general meetings. Our approach, in sharp contrast, has always been about achieving meaningful real-world outcomes, rather than just being able to generate activity metrics.

Lessons are always learnt along the way through various significant events that inform and educate us on some of the poorer corporate and social practices that have emerged. We have used these learnings to improve our process, our understanding and ultimately our engagement with companies and our analyses of material risks.

Our second annual Stewardship Report outlines our approach to stewardship and gives an indication of some of the work we have done in this regard during the course of 2019. It also includes a summary of our proxy voting activity and our corporate engagements, and provides insight into the nature of a few of these engagements through interesting case studies, with both positive and negative outcomes.

A large part of our work is focused on assessing the strategic direction and culture of companies, the capital allocation and skill of management teams and the level of alignment with all stakeholders. We don't believe that achieving both a return and sustainability are conflicting objectives. Over the past few years, the rate at which social activism and awareness of environmental, social and governance (ESG) issues have developed (and continues to do so) is simply outpacing the speed at which the industry can adapt. And in some ways, the Covid-19 pandemic has permanently altered the ESG conversation.

The Covid-19 pandemic calls for organisational introspection in relation to ESG and serves as a brutal illustration of the pressing need for a cohesive vision of how human and economic value can be created.

This is a time when the world urgently needs to see a better kind of capitalism emerging; investing for the long term requires a more thoughtful approach than ever. This has been reinforced by a shift in the attitude of policymakers and regulators around the world regarding the greater role of sustainable and responsible investment. While this varies materially from market to market, the trend has been the same.

At Coronation, our culture and values are critical factors in delivering on our commitment to being the best stewards of our clients' assets. In doing so, we understand that we have been granted a social licence to operate in this space, which goes hand-in-hand with a responsibility to deliver positive outcomes for our clients. Evidence of the ability to deliver attractive long-term financial outcomes for clients is the fact that in excess of 97% of our assets have outperformed their stated benchmarks since inception.

At Coronation, our culture and values are critical factors in delivering on our commitment to being the best stewards of our clients' assets.

At a simple level, when we do well for our clients as investment managers, the additional returns that we produce for them over and above the relevant benchmark is of social benefit. But it goes further than that. When we invest for the long term and encourage growth and investment in businesses, we help support visionary leadership and sustainable economic growth. The consideration of ESG factors in the investment process plays an increasingly significant role in achieving sustainable economic growth, as the world grapples with a range of sustainability challenges. It is for this reason that Coronation was an early signatory to the United Nations-backed Principles for Responsible Investment (PRI) in 2007, being one of the first 10% of asset managers globally to sign on.

At Coronation, our ESG analysis is performed in-house, as we believe that it is our relationships with the boards and management teams of our investee companies that help us to engage effectively.

Looking out into a world in which governance scandals abound, social pressures are increasing, and the health of our environment is under threat, we are ever deepening our understanding of ESG factors at both a company and a sector level. This will help us to ensure that we are managing our clients' money in a truly long-term and sustainable way. As part of this process, the first step was to establish a baseline and framework within which progress and activity across all areas of ESG can be measured and reported. We have committed large amounts of internal time and resources to improve on this and I'm very pleased to report that, during the year, we made considerable progress in expanding both our initiatives and our targeted engagements.

As some of our case studies will show, our approach has been effective and has brought positive change to a number of our investee companies.

I trust you will find the information in our report useful. We will continue to build and refine our approach to stewardship and responsible investing, to ensure that it remains relevant and appropriate, as we strongly believe that it is in our clients' best long-term interests to do so.

And lastly, I offer my sincere apologies for the delay in the publication of this report. The Covid-19 pandemic shifted my attention to many pressing client and portfolio events during the first few months of the year. This, coupled with adjusting to the new routine and demands of working from home and home schooling of my two children, has affected the time I had available to get this done properly. It's here now, and I sincerely hope that you find that it has been worth the wait.

Sincerely

Kirshni

Kirshni Totaram

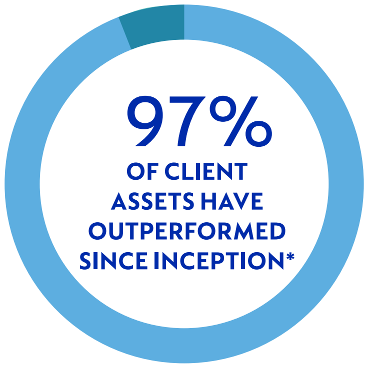
Regarding Coronation

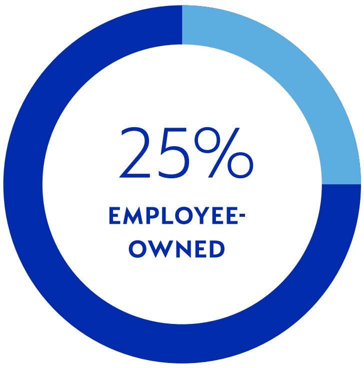
A PROUDLY SOUTH AFRICAN COMPANY

Headquartered in Cape Town, Coronation is one of the largest independent asset managers in South Africa. We invest the long-term savings of millions of South Africans, and our clients include individuals, pension and provident funds, medical schemes, banks, insurers and other fund managers in southern Africa. We also manage assets for several international retirement funds, endowments and family offices.

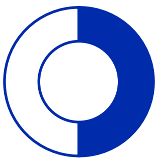
We are an active manager with a single long-term valuation-driven investment philosophy, and our portfolios are constructed from the bottom up and based on extensive proprietary research.

Having opened our doors in 1993, at the dawn of our democracy, we are a proudly South African company, and are committed to ensuring that our actions deliver sustainable long-term value to all of our stakeholders. We believe trust can only be earned by maintaining the highest standards of integrity in all our endeavours.



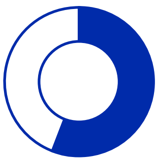


A DIVERSE AND INCLUSIVE COMPANY



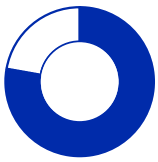
50%

OF OUR EMPLOYEES ARE FEMALE[1]



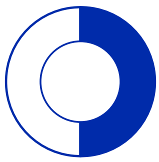
56%

OF OUR BOARD IS FEMALE



78%

OF OUR BOARD IS BLACK

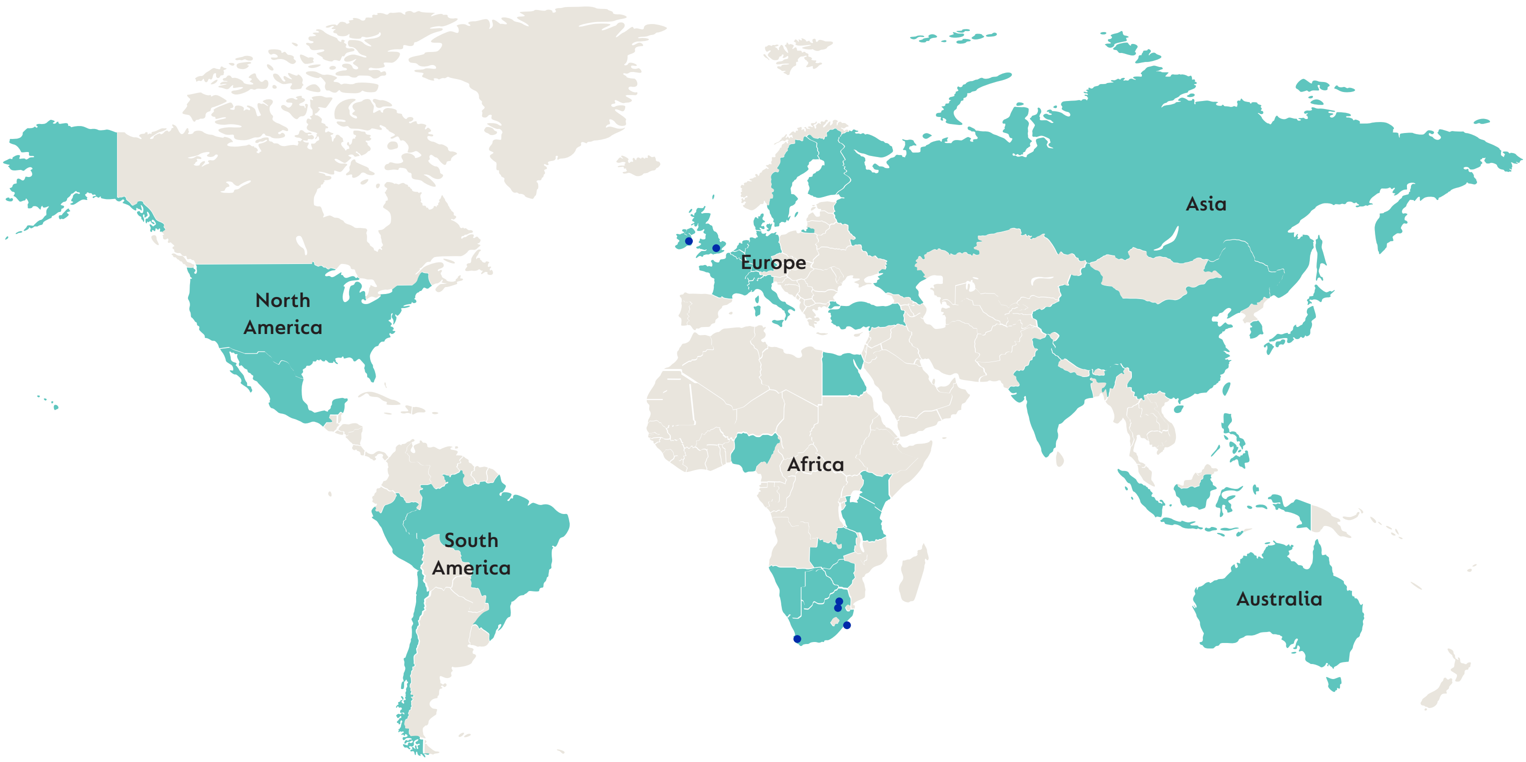


50%

OF SENIOR INVESTMENT LEADERHIP IS BLACK

Board and leadership figures 30 December 2019
[1] 1 October 2020
**Funds with a 10-year+ performance history*

WHERE WE ARE INVESTED ON BEHALF OF OUR CLIENTS



OUR CULTURE

Our unique culture has anchored our business since inception in 1993.

CLEAR AND SIMPLE PURPOSE

To deliver superior long term investment outcomes to our clients as responsible stewards of their capital.

CLIENTS FIRST

Informs all business actions, staff behaviour and how portfolios are managed.

OWNER-MANAGED AND INVESTMENT-LED

Significant staff ownership entrenches the owner-managed mindset.

LONG -TERM THINKING

Reflected in every investment and business decision we make.

A PERFORMANCE-DRIVEN MERITOCRACY

Uncompromising culture of excellence for performance, quality and long-term consistency. Recognition based on contribution regardless of title.

TEAM-BASED

We employ talented people who want to be part of a team with a strong collegiate culture.

INTEGRITY MATTERS

Fiduciary duty to clients, fairness and openness to clients and staff.

Meaningful social impact

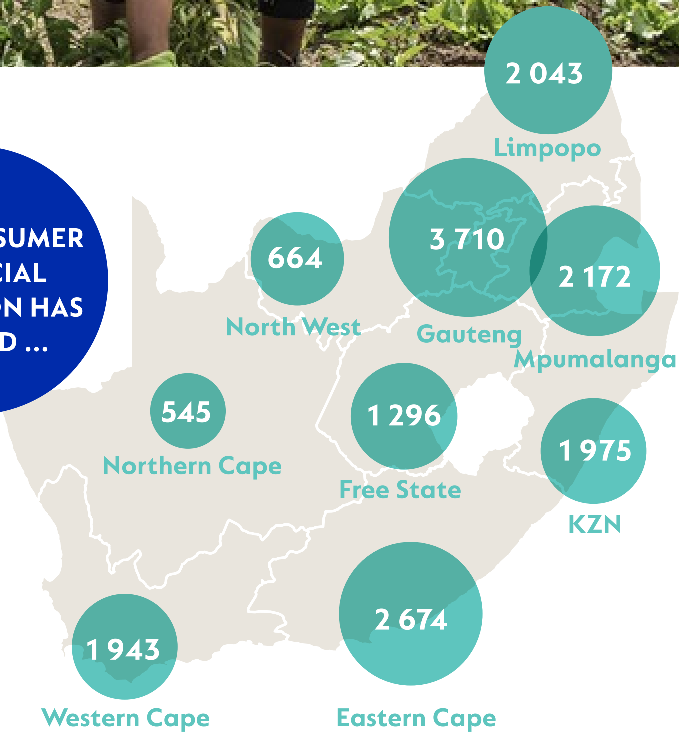
We are very proud of our education initiatives that reach learners through the education cycle - from primary school-level numeracy and literacy skills and tertiary education bursaries, through to empowering adults with consumer education workshops and upskilling small-scale farmers.

OUR EDUCATION PROGRAMMES REACHED ...

>190 000	5 961	5 295	446
Learners	**Educators**	**Small farmers**	**Schools**

All figures are since programme inception unless otherwise indicated.

OUR CONSUMER FINANCIAL EDUCATION HAS TRAINED ...



> 17 000 people trained (2019)

EDUCATION SUPPORT PROVIDED TO ...

>300	>200	92	67
Young girls reached by staff mentorship	Students awarded study opportunities	Black IFA businesses trained	Internships placed

The year in review

Introduction

In 2019, we saw a strong trend of growing interest in, and awareness of environmental, social and governance (ESG) and sustainability issues from most clients and regulators. Today, we live in a more transparent and connected world. Poor practices are more easily exposed, and asset owners and their members are becoming increasingly intolerant of this.

This translated into our having more robust and holistic conversations, which helped improve and widen the ambit of our own stewardship activities and focus.

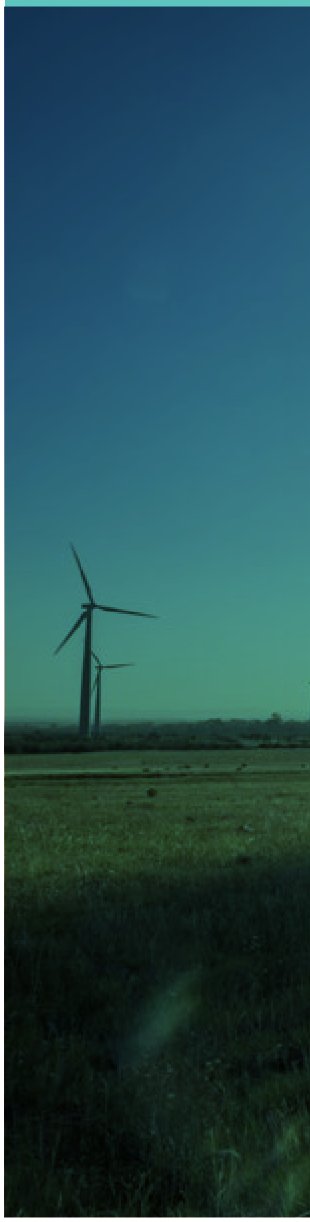
It has therefore, understandably, been a busy year within Coronation and our entire investment team has again, during this time, worked tirelessly to improve our stewardship efforts considerably.

In the early years of our stewardship journey, much of the focus was on governance issues, but our processes and analyses have evolved over time to also take into consideration the growing number of social and complex environmental issues.

For all of our portfolios, material sustainability issues are fully integrated and taken into account in the investment decision-making process. But they are not the main driving factor for investments. We do apply exclusions based on issues such as cluster munitions, anti-personnel mines and any client-specified sectors. But, for the most part, our approach is about valuation and driving change through active engagement as opposed to exclusion.

2019 CALENDAR YEAR

Assets under management	**R576 billion**
No. of engagements	**320**
No. of companies	**174**
No. of themes	**22**
% of multi-year engagements	**>65%**
Voting resolutions	**5980**
Shareholder meetings	**472**



During 2019, we participated in 320 engagements across 174 companies

320
ENGAGEMENTS

174
COMPANIES

472
AGMs

5 980
RESOLUTIONS VOTED

Engagement with companies and voting at shareholder meetings are both powerful tools that we have considered to be an essential part of our active management offering since the very beginning of our stewardship journey. As you will see through this document, we believe that constructive dialogue with the companies in which we invest is far more effective than excluding companies from the investment universe. Only if enhanced engagement does not lead to a desired change do we consider alternative actions that may include collaboration with other shareholders to help achieve the desired outcome. If all else fails, we will look to disinvestment and exclusion.

Launched sustainability fund

In 2019, we took our approach to ESG and active ownership one step further through the launch of the Coronation Global Sustainable Equity Income Fund. This is a global equity fund that is designed for investors that require a combination of superior risk-adjusted long-term returns and a dividend yield that is higher than that of the MSCI All Country World Index. Long-term sustainability is a core objective of the fund. This means that, in addition to encouraging responsible business practices through our approach to stewardship and active engagement, the fund also excludes investment in companies that derive a material part of their revenue from activities that cause, or could result in, material harm to society or to the environment. The fund excludes investment into all companies that operate in this sphere, such as tobacco companies, companies that manufacture controversial weapons, and those that operate in the thermal coal or tar sands industries.

The PRI peer review

This year, we achieved the highest Principles for Responsible Investing (PRI) ratings of either A or A+ in all categories. The PRI assessment is an important yardstick for us, as it helps us measure where we stand compared to the rest of the market, and also highlights the areas and competencies where we can improve. For almost all categories, we achieved a score ahead of the median of the market. We are extremely proud of this achievement, but we will not rest on our laurels and will continue to look to improve upon the work that we are doing and the impact we have made.

Tackling the issue of climate change

Dire warnings from scientists about the ill effects of climate change have become impossible to ignore and, in January 2020, all of the major risks identified by the World Economic Forum were related to the environment.

This was not surprising following a year characterised by floods and droughts, when fires ravaged Australia and the Amazon, and teenage climate activist Greta Thunberg was chosen as Time's Person of the Year.

Climate change is already a measurable global reality and our home country South Africa, along with other developing countries, is likely to see a more pronounced impact due to the perceived lack of financial resilience. South Africa has an energy-intense economy and as such is a significant contributor to global carbon emissions.

The impacts of climate change are potentially significant if not mitigated. These include, among others, physical, transition and disclosure risks.

As economies change from being predominantly fossil fuel dominated to a lower-carbon world, the transition will impact all aspects of the economy and society as it has become clear that, in the long term, economic, environmental and social risks are linked.

The Paris Agreement of 2015 served notice that companies could not continue with a 'business as usual' approach. As active managers with a long history of engaging with companies to drive meaningful change, we believe that we are well positioned to be an active and meaningful change agent to influence favourable climate-related resolutions.

We have had, for example, had several discussions with fossil-intensive companies to fully understand the adequacy and appropriateness of their emission reduction plans.

Over the year, Coronation became a signatory to the Climate Action 100+, which is a large investor-led initiative focusing on systematically significant greenhouse gas (GHG) emitters. As a signatory, investors agree to engage with more than 100 of the world's largest such corporations to curb emissions, strengthen climate-related financial disclosures, and improve governance on climate change risks and opportunities.

To date, signatories of Climate Action 100+ have been important catalysts for action, alongside significant moves by policymakers and civil society. As part of this initiative, Coronation has joined as a collaborating investor on both Sasol and Eskom.

The complexity of climate change for investors is compounded by factors that include the absence of historical data, the need for an ability to forecast probabilities into the future and a lack of standardised disclosure among companies.

As such, Coronation is an official supporter of the Task Force on Climate-related Financial Disclosures (TCFD), a private-sector international task force formed to develop recommendations for mainstream financial disclosure of climate risks and opportunities across sectors.

We will use their recommendations where appropriate and in engaging with our peers and investee companies on reporting challenges. In this way, we hope to gain improved information and disclosure from companies to help better understand and value climate-related risks.

Given all of the above, it is fair to conclude that the past year has seen major advances in our ongoing goal to understand the risks and opportunities posed by climate change. We are taking action today based on our understanding of the current situation and challenges. We constantly monitor new developments and our approach to climate change will evolve over time.

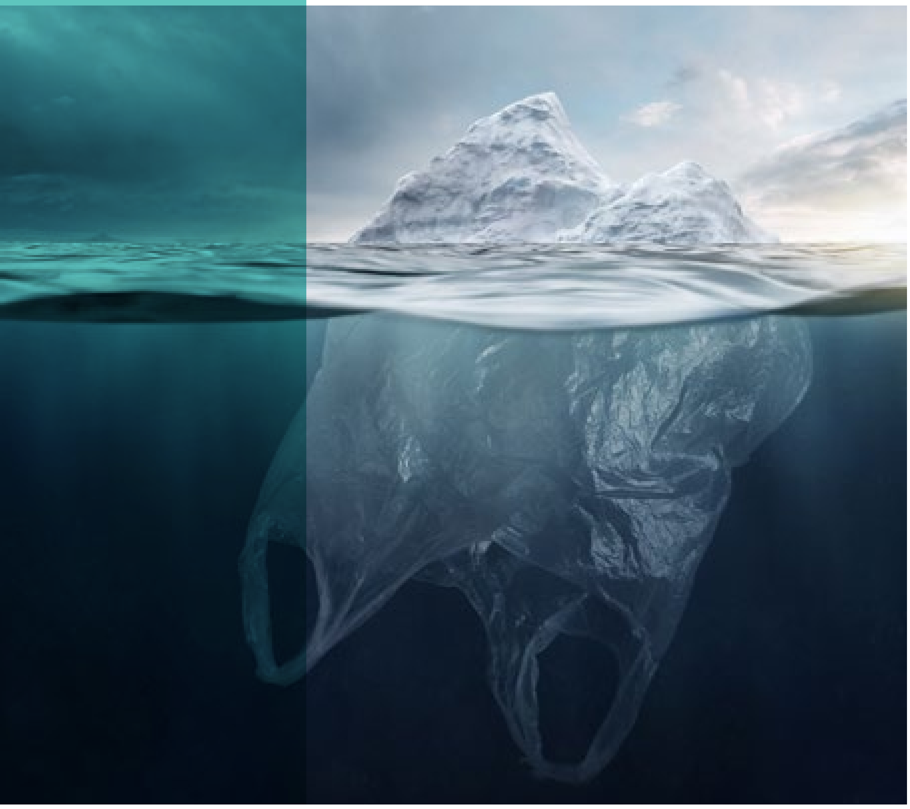
We have increased the sources from which we collate climate change-related data and have also started to measure the carbon footprint of our portfolios to give us a better idea of the starting point from which we need to launch our engagements. In addition, all our analysts have done a refresh on the ESG-related analyses of the companies for which they are responsible, identifying key risks and opportunities.

Reducing single-use plastic in South Africa

There is a growing trend of responsible consumption among consumers globally and an increased awareness of how this can positively contribute to a sustainable planet. Plastics have become a resource used in nearly every part of our modern economy, combining superior functional properties with low cost. Its use has increased twenty-fold since the 1970s and is expected to double again in the next two decades. Today, nearly everyone, everywhere, every day, encounters plastic packaging that is only used once. Tackling this issue of wasteful, single use plastic is now a major engagement theme among investors globally.

While delivering many benefits, the current use of plastic has drawbacks that are becoming increasingly apparent. Most of the plastic used escapes collection systems and is dumped – much of it ending up in the ocean, polluting the seas and endangering marine life.

Recognising the breadth and scale of the effort required to reduce pollution and, while remaining mindful of the complexity of the issue, we took the view that South African retailers could do more to reduce the impact of plastic bags on the environment. This view was also informed by the fact that many other countries around the world have already made significant progress in this area and we believed that South African retailers are well placed to make a visible impact.



Together with other asset managers, we wrote a letter to the management of large South African retailers to express our concerns regarding single-use plastics, recommending that management considers accelerating the reduction, or even total elimination, of single-use plastic shopping bags in their stores. This has started a constructive engagement process.

Demonstrating active ownership

Active ownership is a key part of our investment tenet and our value proposition to our clients. As mentioned earlier, for us, it encompasses two key areas – our engagement with investee companies and our votes executed at shareholder meetings.

Governance matters

The dangers of ignoring poor governance are well understood and are always significant. As such, governance issues have always been considered the biggest of the ESG triumvirate.

As a member of the International Corporate Governance Network (ICGN), a leading authority on global standards of corporate governance and investor stewardship, we are aligned with, committed to, and advocate for the highest standards of corporate governance. It has always been an important part of our investment process to ensure that the companies in which we are invested maintain high standards of corporate governance. As the emphasis on sustainable investing has increased, we have responded through greater engagement with companies. Coronation values the opportunity to join ICGN as a means of further improving our roles as stewards of our clients' capital.

In addition, our investment team has spent a large amount of time during this year on several matters relating to corporate governance. The most material of these include:

Board composition, functioning and independence: Investors care deeply about good corporate governance and a well-functioning board is an important part of this equation. We believe that companies should be headed by an effective board that is responsible for setting the strategy, direction and risk appetite of the company. Yet, it remains difficult to truly assess the effectiveness of a board beyond the data metrics. Standardised data reporting is an important step forward; however, it provides a very limited insight into the true functioning and effectiveness of a board. Ticking good governance boxes does not necessarily translate into good governance in practice and, hence, as investors, our aim is to try and delve deeper, beyond the basic metrics.

A key part of our assessment is thus focused on trying to gain an understanding of the genuine independence and skills of a board. Our inherent aim is to ensure that boards comprise a diverse range of competencies, knowledge, perspectives and experiences to enable them to effectively carry out their duties and responsibilities. We believe that an independent chairperson is pivotal in creating conditions for overall board and individual director effectiveness.

Executive remuneration: we improved our principles and guidelines on voting in relation to executive renumeration. Consideration was given to important issues that centred on aspects such as enrichment versus compensation, alignment with shareholders, and whether it is sufficiently long term in nature and set against appropriate key performance indicators. Importantly, we pushed for the inclusion of malus and clawback mechanisms in all remuneration structures to ensure that shareholders are protected from fraud and/or material misrepresentations at the company in the context of being able to claw back or implement a forfeiture of executive bonuses.

Mandatory audit rotation: following a number of accounting-related scandals, we are of the belief that a regular rotation of company auditors would serve as a useful tool in safeguarding against fraud and corruption at a company. It is our belief that the audit process should be objective and independent to be effective and maintain market confidence. As such, we have become strong supporters of a mandatory audit firm rotation for all companies after a period of 10 years.

Our initial success in driving mandatory audit rotation has been high and encouraging, and we will continue in our efforts to champion this change.

Social considerations

The social element within ESG considerations is often the most difficult to assess and require case-by-case consideration.

Having said that, we do have an overarching belief that a company's long-term strategy should take into account the development of its workforce. Labour rights and the treatment of human capital are an important part of an organisation's culture and are fundamental in driving good business performance. Good human capital management practices include the provision of a fair basic minimum wage, good health and safety standards, and an investment in training and development programmes. These help to ensure that the workforce is well equipped for completing its required tasks, operates under the latest and highest safety standards and regulations, and remains motivated. Good human capital management generates a culture that is demonstrably linked to more stable and productive workforces and, ultimately, long-term value creation.

Consequently, an interrogation of these practices forms part and parcel of our ongoing investment analysis and, where warranted, of our engagement process with investee companies.

Over the last year, our investment team conducted a detailed deep dive into the mining and resource industry, looking specifically at employee safety records. Besides minimising accidents and fatalities, health and safety also interrogate broader working conditions and the prioritisation of employee well-being.

This has prompted the start of a longer and more nuanced engagement process with a number of companies, aimed at improving the safety of working environments for employees.

Covid-19

The Covid-19 crisis has highlighted, and in many ways exacerbated, some of the major social and political challenges facing the global community. As an immediate response, many of the issues that companies had to deal with had a social dimension, which included actions centred on protecting the health and welfare of individuals affected by the virus and the response. However, the most vulnerable in society have been hardest hit by this pandemic and we understand that the longer-term social consequences are likely to be devastating, unless dealt with explicitly by governments, business and society as a collective. We cover more of this in a special note on the Coronavirus pandemic on page 16.

Transparency on our initiatives

Transparency is an important element of stewardship and is dealt with explicitly by various international codes. Transparency has also been a key part of our culture since our inception in 1993. As part of our stewardship commitment, we provide regular updates to clients on our wider stewardship activities, including our engagement activities, our voting activities and updates on ESG matters.

We communicate the results of these activities in our client interactions and, ultimately, through this document. Most of our engagement, however, takes place behind closed doors in order to preserve trust and achieve the greatest level of impact and understanding.

We also work with our clients individually to ensure that we provide them with meaningful information that they need to fulfil both their stated stewardship objectives, as well as any regulatory reporting required.

Our voting activities are disclosed, and updated on a quarterly basis, on the Coronation website www.coronation.com/institutional/about-us/stewardship/, along with this annual Stewardship Report.

As PRI signatories, we are required to report publicly on our responsible investment activities each year. These Transparency Reports, together with the Assessment Reports, are accessible to signatories on the PRI Data portal.

Working together

Institutional investors are now, more than ever, working collaboratively to move the needle at companies, and the momentum for improving corporate practices in the long term is building.

The regulatory environment around the world has increased scrutiny of and the responsibility for long-term savings in respect of ESG incorporation into investment strategies, which is evidenced through portfolio holdings. Regulatory changes, such as the enactment of the EU Shareholder Rights Directive, the progression of global corporate governance and stewardship code requirements (PRI, UK Stewardship Code, Code for Responsible Investing in South Africa), coupled with mounting social pressures on companies and investors, will bolster the growth and adoption of more sustainable business practices.

Good human capital management generates a culture that is demonstrably linked to more stable and productive workforces and, ultimately, long-term value creation.

As such, we continue to work with our clients on appropriate adjustments to their investment policy statements and their voting policies, as well as mechanisms to improve communication and reporting.

As a company, we believe in proactively engaging with the industry and policymakers to ensure that we help develop an environment that improves outcomes and protects the long-term savings industry. These discussions span a number of different topics and are conducted through various industry bodies in which we are active members and also directly with regulators, where appropriate.

Signatories to multiple codes

Coronation continues to be a signatory to multiple responsible investing codes, including the PRI and CRISA. In addition, we adhere to the principles denoted in the updated UK Stewardship Code which was published in the latter part of 2019. As signatory to these codes, we work very hard to ensure that we continue to take cognisance of and champion their tenets and principles.

The road ahead

It is encouraging that the investment industry across the globe has stepped up its overall focus on a wide range of sustainability issues over the past decade. Long-term thinking about the impacts of a business and society across E, S and G has become increasingly important aspects and indicators of investment success. While the crystallisation and awareness of stewardship concepts are improving dramatically across the industry, standardised and useful reporting is still one of the biggest challenges that we continue to grapple with. We predict that this is a critical area that the industry and regulators will work hard at improving in the next few years. We would strongly support this initiative, as it will result in investors having access to improved and more meaningful data that can better inform our investment decisions.

For our part, we will continue to put our resources into growing and developing our understanding of this complex, ever-evolving and challenging field, and we will continually review, interrogate and enhance our processes. As an active steward of our clients' capital, we believe that this will be integral to achieving our goal of delivering significant and sustainable long-term benefits, not only for our clients but for the generations to come. +

The materiality of Covid-19

IN EARLY 2020, news started to emerge about a novel Coronavirus (Covid-19) that was spreading in Wuhan, China. When the outbreak was initially reported, it appeared to be a regional epidemic confined to a specific part of China that was being managed under a hard lockdown.

However, the unique properties of the virus that make it so highly infectious, coupled with a highly connected global economy, caused an exponential growth in infections across the globe. From initial detection in mid-December 2019, the World Health Organisation declared Covid-19 to be a Public Health Emergency at the end of January 2020, and a global pandemic on 11 March 2020.

Initial efforts were focused on understanding the virus itself, such as how dangerous it is, how it spreads, who is at risk, and how it could be treated or prevented. However, it soon became clear that the response to the spread of the virus would itself affect the lives and livelihoods of the global population in ways that were unimaginable at the start of the year. Governments reacted by encouraging various forms of social distancing and isolation, culminating in nationwide lockdowns. These measures were taken to 'flatten the curve' of infections in a bid to prevent healthcare systems from being overwhelmed and to stop the pandemic from escalating into a global health catastrophe.

These measures have had a devastating effect on the global economy, with the response expected to result in the largest economic contraction since the Great Depression. The economic impact has been both severe and uneven, with many industries such as those linked to travel, entertainment and mass gatherings experiencing abrupt hard-stops to their operations. Beyond this, almost all companies – and by extension, the people that rely on them – have been affected in some way. Some companies, such as those in the technology and healthcare sectors, have benefited from their ability to provide necessary or in-demand services during the crisis.

As an investment manager that places responsible, long-term stewardship of our clients' capital at the centre of what we do, this created an urgent need to understand the impact that Covid-19 would have on our portfolio companies. For each company we needed to understand not only the financial impact, but also how they were managing their way through the crisis, including how they were treating their stakeholders, such as their employees, customers and suppliers.

The long term and the short term collide

A core part of our stewardship responsibility is focusing on the long-term prospects of the companies in which we invest. This is consistent with our investment philosophy and the way in which we manage client portfolios. However, the Covid-19 crisis introduced a unique challenge – hard economic stops meant that many companies that were previously financially resilient experienced sudden and extreme revenue declines, which placed them under short-term financial pressure. Key issues included whether companies could meet their debt and other contractual obligations and, if not, whether they could renegotiate terms with counterparties.

Further, we needed to understand the measures that companies could apply to strengthen their balance sheets, such as suspension of dividends and share buybacks, deferment of capital expenditure, and treatment of executive pay. From a human capital perspective, how companies treated their employees would determine whether they would emerge from the crisis with a skilled and motivated workforce, or a depleted one. Our responsibility was to assess the way in which a company was navigating the crisis over the short term in order to understand the impact on its long-term fair value.

What does this crisis mean for ESG investment?

Our fundamental belief is that companies that manage ESG factors more effectively are more likely to endure and to create sustainable value over the long term. Companies increasingly require a social licence to operate, and it is not possible to place a value on a company's profitability without factoring in the long-term implications of its behaviour towards its stakeholders and to society.

In 2019, issues like climate change, gender equality, diversity and data privacy were in the ESG spotlight. The sudden and brutal economic impact of Covid-19 meant that in 2020 many companies were forced into survival mode. How would lockdowns affect their revenues? For how long? How would they pay salaries, rent and suppliers? How would they ensure the safety of their customers and employees? These companies needed to balance their need to survive the crisis with the need to act in the interests of their stakeholders in order to protect the long-term viability of their businesses.

The Covid-19 crisis introduced new ESG risks to companies, many requiring rapid and decisive action. Most of these issues have a social dimension – the 'S' in ESG – given that the issues centred on protecting the health and welfare of individuals affected by the virus and the response. Importantly, while companies need to focus on navigating the immediate crisis, this has not diminished the importance of addressing wider ESG concerns, such as a company's impact on the environment and its governance practices.

Covid-19 has highlighted major social issues

As previously stated, the Covid-19 crisis has highlighted, and in many ways exacerbated, some of the major social and political challenges facing the global community. This included the inadequacy of national healthcare systems, broad-based access to healthcare and sanitation. Similarly, the economic impact was disproportionately worse for individuals that did not have access to financial support or social safety nets, increasing poverty and/or worsening inequality in many countries. The United Nations released a report in March 2020, highlighting the socioeconomic impacts of Covid-19, showing how the pandemic has curtailed progress toward the achievement of its Sustainable Development Goals (SDGs), and recommending the corrective actions required. While these solutions require multilateral support, investors have an important role to play in addressing these issues.

Key issues emerging from the Covid-19 crisis

Treatment of employees

Many companies were forced to seek ways to enable continuity of employment. Those that were worst affected had to make difficult decisions regarding retrenchments (furlough), reduced pay and/or enforced leave. Companies further needed to prioritise the health and safety of their employees by promoting social distancing and ensuring a hygienic work environment.

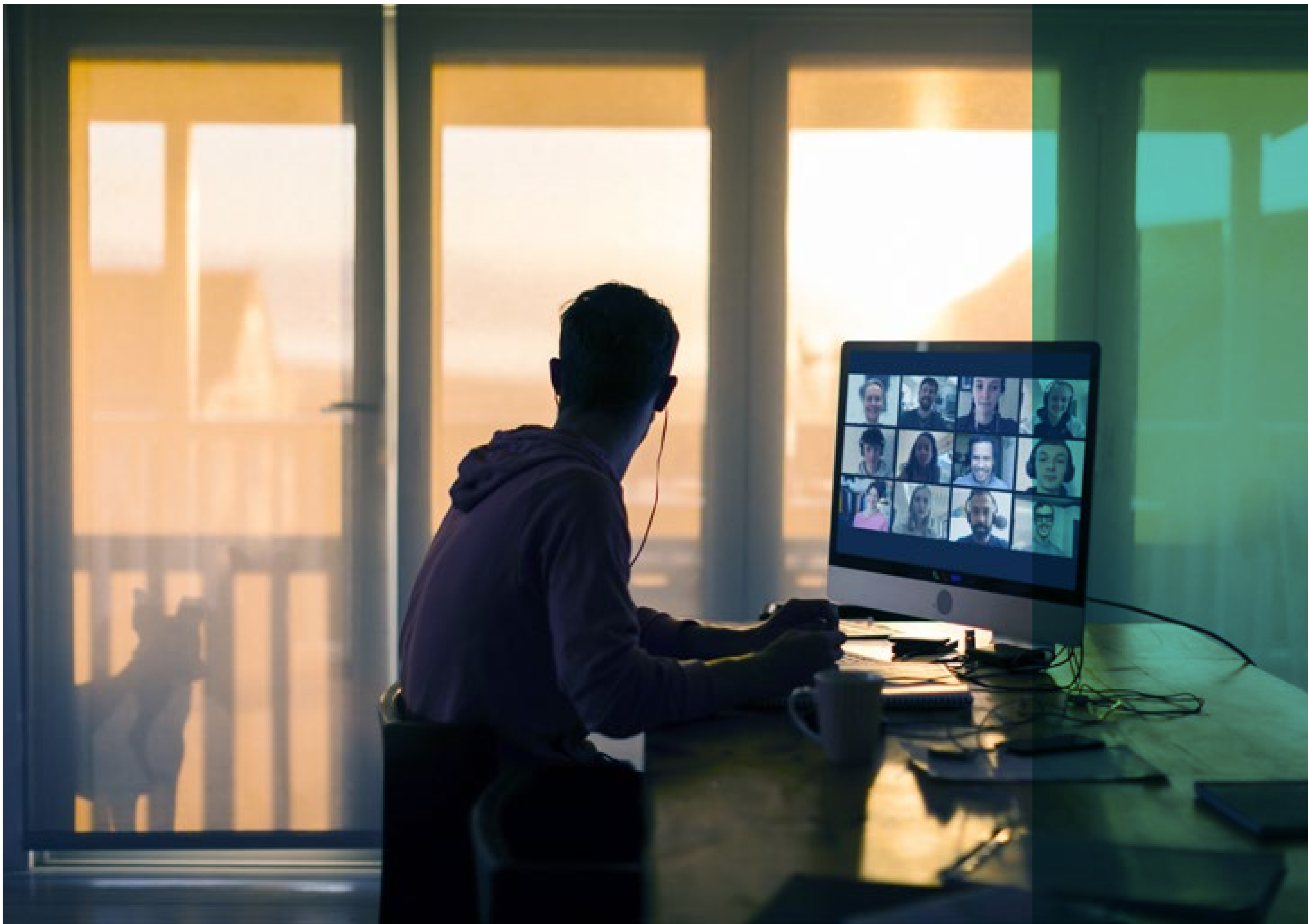
Mental and emotional wellness has also emerged, particularly for employees who are socially isolated when working from home, or those having to balance the demands of work with other responsibilities, such as home care and home schooling. The work-from-home shift introduced new challenges relating to cybersecurity, data privacy and how corporate culture needs to evolve to accommodate a dispersed workforce.

Treatment of suppliers

Companies were forced to engage suppliers to work through the immediate crisis, ensure continuity of supply relationships and protect the integrity of supply chains where possible. From a contractual perspective, many companies were able to call *force majeure*, or were simply unable to fulfil their full obligations. We believe that companies that engage proactively and focus on maintaining good supplier relationships during the crisis could emerge stronger than those that took an adversarial approach.

Treatment of customers

Similarly, companies were confronted with important decisions relating to their treatment of customers. Companies that could no longer operate, or provided a reduced service, had to review their charges. Similarly, companies needed to consider whether and how to accommodate customers that found themselves under severe



While governments are always important stakeholders, the crisis has shown that there will be times when government policy can have an outsized impact on the operations and financial health of companies.

financial pressure. For many companies, the way in which they engage clients through this crisis could have material long-term implications for customer loyalty and brand value.

Crisis response and business continuity

Covid-19 has presented companies with a real-time test of their ability to ensure continuity of business operations during a crisis. For most companies, business continuity plans were part of enterprise risk frameworks that had never been tested under a real-life scenario. However, the pandemic has highlighted the importance of crisis readiness and response. It has demonstrated that business continuity is not only about ensuring that people, data and IT networks can operate remotely – but instead that companies must ensure that they have the adaptability and resilience to respond to the myriad issues that can emerge during a crisis. This includes ensuring that companies have governance structures that enable quick and effective decision-making during a crisis.

Interactions with governments

The crisis has also affected the extent to which companies have engaged with governments, policymakers and other officials. Companies have needed to ensure proper monitoring and compliance with the regulatory requirements that have followed the response, and many have supported or influenced government efforts to manage the pandemic. Further, many countries implemented large-scale stimulus packages to offset the economic impact of lockdowns and to enhance social security. Companies and individuals needed to ensure that they accessed the support packages that were directly available to them. While governments are always important stakeholders, the crisis has shown that there will be times when government policy can have an outsized impact on the operations and financial health of companies. This has underscored the importance of companies being able to engage constructively and proactively with all stakeholders, including governments.

Where to from here?

One of the most striking aspects of the Covid-19 crisis is the speed with which it crossed geographic and social boundaries. An outbreak that started in one part of the world has affected the lives of billions of people across the globe within a matter of months. The global population was forced to confront financial and social challenges head-on, which has made this crisis tangible and very personal. This is not an isolated issue affecting a specific part of the globe, or one where the results of actions taken now would only be seen in the long term. It was immediate and universal, requiring difficult trade-off decisions with tangible impacts on the people affected by these decisions, creating an appreciation of the need for companies to act responsibly, and for investors to hold companies to account.

Covid-19 is an example of an extreme event which presents material ESG risks. While it is one of the most severe events that the global economy has faced in the last century, it will not be the last. The ESG risks facing companies will shift and evolve over time; however, the core principle remains that the long-term fundamental value of a company depends on the way in which it identifies and manages its ESG risks. +

Tackling climate change

CLIMATE CHANGE IS considered by many to be the defining challenge of the 21st century, with significant physical, social and economic implications for the global population. The scale and complex nature of climate change make it a unique challenge, especially in the context of economic decision-making. Climate-related risks are systemic and will have severe financial implications for all economies, asset classes, industries and companies, albeit to varying degrees.

Given its pervasiveness, climate change threatens both the adequacy and sustainability of long-term savings. By addressing the challenges of climate change and by helping to mitigate the impacts thereof, we aim to ensure that individuals are saving for a future in a world worth living in.

Our changing planet is creating a number of challenges and risks for companies, both in terms of the physical impact that climate change is having on businesses, as well as the need for companies to change their business practices in order to adapt to climate change and the need for a lower carbon economy. These include the following:

1. The transition to a low-carbon economy may result in 'stranded assets', where the value of certain assets is significantly reduced because they are rendered obsolete.

2. Increased regulatory requirements and costs, including carbon tax.

3. Extreme weather events and climate-related disasters, such as unprecedented rainfall or severe drought and the resultant impacts on food and water security, disruptions to supply chains, and additional capital required for the upgrade of facilities to make them more climate resilient.

4. Business impacts on communities resulting, for example, in potential legal challenges against carbon-intensive companies, along with reputational risk as consumer pressure on 'high-carbon' products and industries increases.

5. The physical impacts of climate change, for example, the consequences of rising sea levels and the increased risks and costs of insurance.

At the same time, potential investment opportunities are created in other areas such as renewable and clean energies and their related technologies. As economies change from being predominantly fossil fuel dominated to a lower-carbon world, the transition will impact all aspects of the economy and society.

As active managers with a long history of engaging with companies on driving meaningful change, we believe we are well positioned to be an active and meaningful change agent for driving favourable climate-related resolutions.

The past year has seen major advances in our ongoing goal to understand the risks and opportunities posed by climate change.

Our approach is multifaceted and includes:

1. Climate data

A critical area that we have addressed is the ability to access and generate various climate-related data that would assist us in our analysis at both an underlying company and total portfolio level. This includes information that can assist in the understanding of transition risks, physical risks (stranded assets) and liability risks. Data is sourced from various avenues, including company reports, various databases to which we subscribe, and most importantly, direct engagement with companies to understand their risk and mitigation efforts.

Our analysts use this data and convert it into insights that are integrated across our entire range of investment strategies.

2. Integration

The first focus is a bottom-up review of our investment cases for every security in the investment universe and a detailed consideration of material climate-change risks and opportunities.

By including the analysis on climate change in the investment process, our investment analysts have a better understanding of the risks and opportunities to which companies are exposed. This means that our fair value estimates for companies take into account the long-term opportunities, costs and risks associated with their climate impact and risk mitigation strategies, and capital can be directed towards those companies that are aiding the transition, and away from companies that do not. Further, it highlights those companies that are not adequately addressing their climate change risks, and with which greater engagement is therefore required. We tend to focus on those companies for which the externalities are large and known. Fossil fuel producers, for example, are exposed to policy, technology, shifting demand, market and other climate-change transition risks.

Our aim is to ensure that we gain a proper understanding of the investment risks and opportunities presented by climate change. As a long-term focused investment company, all of our analysts are integrally involved in assessing these impacts on the companies that they cover and are required to factor in potential impacts in the valuations. This ensures that potential costs, risks and opportunities are reflected in our investment decision-making process.

The complexity for investors is compounded by factors that include the absence of historical data, the requirement to forecast probabilities into the future, and a lack of standardised disclosure across companies.

Our deep understanding of companies and countries provides context as to what the most critical ESG issues are. Companies operate within different contexts, have different underlying business models and are best dealt with on a case-by-case basis. This includes having insight into the geographical locations in which a business operates, its activities, supply chain effects and carbon emissions.

In addition to the detailed bottom-up analysis, we also pay significant attention to the overall exposures of our portfolios to various macro risks. This approach aims to ensure that we manage the overall risk exposure at the portfolio level and guard against unintended risks.

3. Engagement

Coronation has a long track record of engaging with companies on their environmental, social and governance (ESG) practices and using our voting rights to support shareholder proposals that help address long-term risks.

Since all of the change that we can drive comes from our active ownership policies, we do not believe in automatically excluding investments from our universe. Rather, as an engaged owner, with well-informed and carefully considered views, we can ensure a change in corporate behaviour in line with a sustainable future.

We engage with companies in high-impact sectors on their response to climate change risks. This includes engagements with GHG-intensive industries, where we encourage oil and gas, utilities, automotive, extractive and cement industries to reduce their GHG emissions across the value chain. We seek commitment from boards and senior management to implement a strong governance framework that clearly articulates the board's accountability and oversight of climate change risks and opportunities.

We encourage the reduction of GHG emissions across the value chain, ideally in line with the Paris Agreement – while being cognisant of local realities and in the context of the local country's commitments in this regard. We further encourage improving company disclosure in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), so that investors can better assess the robustness of a company's strategies.

For example, we believe that the disposal of thermal coal assets by listed companies could have unintended consequences, where the lifecycle emissions and environmental impact of these assets could likely be materially worse if ownership is transferred to unlisted or non-public entities. A listed owner is subject to greater transparency and oversight from both regulators and investors and, hence, may represent a better opportunity in managing down both the exposure to coal assets and its production, in line with an orderly and more sustainable transition.

However, it is important to recognise that engagement can be challenging and gaining support from company boards takes time.

We seek commitment from boards and senior management to implement a strong governance framework that clearly articulates the board's accountability and oversight of climate change risks and opportunities.

4. Support in shareholder resolutions

Given our active ownership approach, we are supportive of resolutions put forward to companies to improve their climate-related disclosures. In addition, we support resolutions brought by other investors that we believe can make meaningful changes in disclosure, corporate behaviour and generally have a favourable impact on society at an acceptable cost.

In order to ensure decisions are being made with complete and comparable information, our primary focus is currently on improving the disclosures of the companies in which we are invested so that decision-makers can have readily available information that is relevant to their decisions.

5. Collaborating to make meaningful change

a. Climate Action 100+

In October 2017, the United Nations' Intergovernmental Panel on Climate Change (IPCC) issued a clarion call for action, warning that there were just 12 years left to keep global warming to a maximum of 1.5°C. This would mean cutting carbon pollution from 2010 levels by 45% by 2030, requiring rapid transitions in all walks of life, from energy and industry to transport and cities.

Such a challenge is overwhelming for individual investors to tackle alone. Since its launch at the One Planet Summit in late 2017, Climate Action 100+ has grown to be one of the most influential and significant investor initiatives on climate change, with 373 investor signatories representing more than US$35 trillion in assets under management.

Over the year, Coronation has become one of these signatories. As a signatory, investors agree to engage with more than 100 of the world's largest corporate GHG emitters to curb emissions, strengthen climate-related financial disclosures, and improve governance on climate change risks and opportunities.

Thus far, signatories of Climate Action 100+ have been important catalysts for action alongside significant moves by policymakers and civil society.

Under this initiative, the engagement agenda has three areas of focus. First, it aims to secure commitments from companies that they will implement a strong governance framework setting out the Board's accountability and oversight of climate change risk. Secondly, companies must take action to reduce GHG emissions and align their business models to the goals of the Paris Agreement. Thirdly, they must provide better disclosure in line with the recommendations of the TCFD, so that investors can better understand the risks that climate change poses to their portfolios.

As set out above, Coronation takes these three areas of focus into account when engaging with investee companies. Coronation has also joined as a collaborating investor on both Sasol and Eskom.

b. Financial Stability Board Task Force on Climate-Related Financial Disclosure

At the request of the G20, Financial Stability Board Chairman Mark Carney formed a private-sector international Task Force on Climate-related Financial Disclosures to develop recommendations for mainstream financial disclosure of climate risks and opportunities across sectors.

Coronation recently became an official supporter of this Task Force (TFCD). We look forward to using their recommendations where appropriate, and engaging with our peers and investee companies on reporting challenges. In this way, we hope to gain improved information and disclosure from companies to help better understand and value climate-related risks.

Our endgame remains, as always, to deliver consistent long-term returns for our clients, but at the same time to be active players in ensuring a sustainable planet.

Conclusion

We are taking action today based on our understanding of the current situation and challenges. We constantly monitor new developments and our approach to climate change will evolve over time. We will continue to put resources into understanding climate-change risks and opportunities across our portfolio because we think it makes investment sense. This approach is consistent with seeking to achieve a maximum risk-adjusted rate of return. We will also continue to keep our clients informed as our approach to climate change evolves. Our endgame remains, as always, to deliver consistent long-term returns for our clients, but at the same time to be active players in ensuring a sustainable planet, where our clients and our future generations are able to enjoy those returns. ✚

Our investment philosophy

CORONATION IS AN active manager with a long-term, valuation-driven investment philosophy. As long-term stewards of our clients' capital, Coronation is focused on the long-term prospects of the assets in which we invest on our clients' behalf. It is central to our investment philosophy and process to analyse the ability of each investment to create, sustain and protect value with the goal of generating superior risk-adjusted returns in line with our clients' objectives. Our stewardship activities enable us to more deeply understand the drivers of long-term value for companies in our portfolio, address key business risks and promote sound governance, all of which are consistent with our overall investment objectives.

Stewardship approach

We believe that companies and organisations that manage environmental, social and governance (ESG) factors more effectively are more likely to endure over time and create sustainable value over the long term. Factors may vary by industry, country and company; however, we ensure that we consider relevant ESG matters when evaluating opportunities, making investment decisions and engaging with companies to seek improvements in business practices and disclosures.

We are cognisant that the impact of ESG factors on long-term value creation can emerge gradually, or through a crisis that may result from years of mismanagement or poor assessment of the strategic relevance of ESG matters. These factors can have clear and direct impacts on a company's profitability, for example, through tighter regulation leading to higher operating costs.

They can also influence customer loyalty, brand equity, the ability to attract talent and a company's 'licence to operate'. The concept of ESG is vast and we are building on our framework, which will continue to evolve over the years. As such, our current framework aims to capture, inter alia, the following:

- **E** – climate change, carbon emissions, energy efficiency, air and water pollution, water scarcity and waste management
- **S** – human rights, local impact and employment, child labour, working conditions, health and safety standards, anti-corruption, empowerment of minorities or previous disadvantaged groupings and data privacy
- **G** – anti-corruption, alignment of interests, executive compensation, board independence and strength, shareholder rights, capital allocation, ethical conduct and third-party assurance.

Our approach to ESG-related activities is underpinned by three core pillars: integration, engagement and collaboration. This framework informs our actions, through which we are able to influence positive changes that will create more value in the portfolios we manage on behalf of our clients.

We generally find, as a first step, that engagement is more constructive and effective outside of the annual general meeting (AGM) environment, either through in-person meetings or via writing letters to boards of directors. However, where we are not achieving the desired results on issues on which we have a strong view, we will collaborate with other shareholders, and if need be, escalate to the public arena via the media.

Why not just divest?

Our responsibility is to maximise the long-term investment returns for our clients without undue risk of loss. There has been an increasing global trend towards divestment from companies that operate in certain industries, such as those involved in fossil fuels. Investor preferences can vary, and some investors do not wish to have exposure to specific types of investments.

Eliminating entire categories of potential investments would not be consistent with that mandate and would, in the South African context, eliminate a large part of the investable market, including businesses that contribute significantly to employment in the country.

We believe that active ownership and meaningful engagement on material ESG issues can have a greater positive impact on a company's practices than divestment. The case studies in this report demonstrate that we can more effectively drive positive change by being an active, engaged investor instead of sitting on the sidelines. Effective engagement drives responsible corporate behaviour, which in turn leads to greater sustainability and ultimately higher long-term returns for our clients.

Conversely, divestment removes our ability to influence corporate behaviour and potentially transfers ownership to parties that will not advocate for positive change. The aim is win-win: more responsible corporate behaviour which leads to greater sustainability over the long term and ultimately higher long-term returns.

We look at the ESG factors both before and after making an investment, and they can be very important factors in determining whether a potential investment is attractive. Where considerations are material, they can significantly affect our assessment of a company's risk and return profile.

Three-pronged approach to ESG

INTEGRATION

Our investment professionals ensure that the risks and opportunities stemming from potentially material ESG factors are integrated into investment decision-making processes.

ENGAGEMENT

We engage with investee companies through informed dialogue about ESG disclosure and practices, monitoring corporate activities and exercising our ownership rights.

COLLABORATION

We collaborate with industry bodies and like-minded organisations to advocate better policies and encourage better ESG-related practice.

By adopting the three-pronged approach to ESG, (integration, engagement and collaboration), we are seeking to influence the ongoing performance of underlying companies in a proactive and responsible manner rather than opting for short-term disinvestment.

How we monitor investee companies

Meaningful engagement with companies is one of the three core pillars of our approach to ESG and one of the most effective ways of driving positive change. We engage with investee companies through informed dialogue about ESG disclosure and practices, monitoring corporate activities and exercising our ownership rights. We also engage with companies in which we do not currently invest where we believe that appropriate action will improve their investment cases. We are not driven by the need to demonstrate activity on every issue – instead, our engagements focus on the most material ESG issues that need to be addressed.

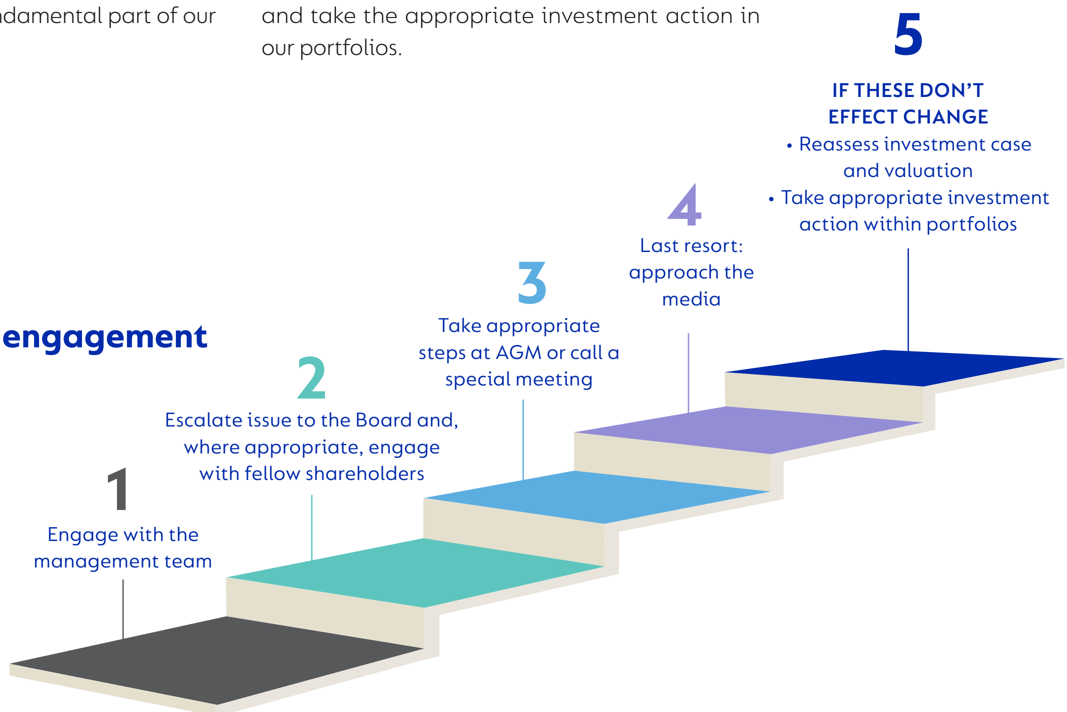
As a fundamental active asset manager, the analysis that we do gives us practical insights into the ESG issues that are most relevant to each company, and to identify those that can have a material impact on the financial prospects for a business. This enables us to integrate material ESG factors into our estimates of the long-term fair value of a business. Integration and engagement are mutually reinforcing; company analysis drives engagement and engagement outcomes influence the analysis, with the goal of ultimately enhancing long-term shareholder value. Engagement with companies is therefore a fundamental part of our active investment process.

We believe that our role is not to get involved in the day-to-day management of a business, but rather to express the concerns that we have over business strategy or ESG practices, especially if we believe that the company's approach could result in significantly lower earnings, impact cash flow for an extended period of time or compromise shareholder returns.

We maintain constructive relationships with boards and senior management teams and develop specific engagement strategies for each company. As an active shareholder, we engage with management and boards in executing our fiduciary responsibilities, including through calls, in-person (or virtual) meetings, letters and written statements expressing our views. We have found that engagement is more effective when we engage directly and constructively with company representatives, where we are able to clearly articulate our concerns and set out our requirements. As a general principle, we find that a strategy of constructive, behind-the-scenes engagement is far more productive than debating issues at a public AGM or through the press.

However, where we are not able to achieve the desired results on important issues, we will use other means available to us, such as exercising our voting powers at AGMs, calling special meetings, collaborating with other shareholders, and if need be, escalating issues into the public arena via the media. If our best efforts are unsuccessful, then we will reassess our investment case and valuation and take the appropriate investment action in our portfolios.

Levels of engagement



Key engagement drivers

ENGAGEMENT CATEGORY	AIM	EXAMPLE
Identifying and integrating material ESG issues into our valuations.	Ongoing engagements to ensure that we identify, understand and quantify the material ESG issues affecting the long-term fair value of a business.	Carbon emissions: Carbon tax legislation, outstanding legal claims relating to health and safety risks, and changing environmental regulations.
Advocating for change on material financial or ESG issues.	Engaging with companies on issues where we believe changes are required to business practices to reduce ESG risks and improve long-term business prospects.	Recommending changes to remuneration policies to better align the interests of senior management with the long-term interests of shareholders.
Specific corporate transactions that require shareholder approval.	Ad-hoc engagement to address specific issues as they arise.	The business rationale for a deal (before it is approved) such as: • schemes of arrangement; • share acquisitions – the sale of a material portion of the business and; • ad-hoc share-related issues, such as specific repurchase.

Our engagements encompass the full range of issues that affect the long-term value of a business, including strategy, capital structure, operational performance, risk management, remuneration and and corporate governance.

A full assessment encompasses not only financial performance but also vital ESG practices that highlight the long-term health of the business, such as labour practices; the creation of a culture that favours long-term value creation; dealing openly and fairly with suppliers and customers; and having proper and effective environmental controls in place.

These engagements help us to assess whether the company has a coherent strategy to deal with the environmental and social impact of its everyday operations. A company's awareness of these affairs and its willingness to address them indicate whether the business is committed to be a good corporate citizen and to protecting its long-term value. The issues on which we engage are often complex, requiring difficult trade-off decisions, which in turn requires multiple discussions with the relevant companies. Our ultimate intention is to drive the change we feel will be most beneficial for shareholders in the long run.

Coronation engages with key stakeholders, such as leading investment associations, regulators and government bodies to support an effective financial services industry. Our efforts are underpinned by our ESG Policy and Proxy Voting Policy, the responsibility for which rests with our investment team, which drives our long-standing practice of integrating ESG factors into our investment process. We publish this Stewardship Report annually to keep our stakeholders informed of our stewardship activities, including examples of material ESG issues that have arisen during the year, and to outline our efforts to promote the long-term sustainability of our investments.

Fixed-income stewardship: South Africa

Our stewardship responsibilities extend to all of the assets that we manage on behalf of clients, including fixed-income investments. We follow the same approach to stewardship as we do with other asset classes and incorporate our three-pillar ESG framework of integration, engagement and collaboration into our fixed income investment process. While the risk and return profile of fixed-income investments differs from riskier asset classes such as equities, the principles that underpin our stewardship approach are equally applicable across all asset classes.

Integration

Given that fixed-income instruments typically provide no economic upside, our investment process is primarily focused on understanding the downside credit risk exposure. We therefore focus on understanding the credit risk of the underlying issuer, including the probability of default, and the quantum of losses that could occur in the event of default. We further consider the risk and potential impact that changes to a company's creditworthiness may have on the yield or spread at which it trades prior to redemption. When we evaluate these risks, we integrate material ESG factors into our assessment and therefore our decision to invest. Our goal is to ensure that the credit spread adequately compensates us for all of the material underlying risks of each investment, including significant ESG risks.

We follow a similar ESG integration process for credit risk as we do for equities. That is, we analyse and engage with companies in order to identify material ESG risks or opportunities and consider the full spectrum of ESG risks, as we do for other asset classes. We then assess the potential impact of an ESG risk on an issuer's cash flow and balance sheet. We also take into consideration an issuer's willingness to engage on ESG issues and to address material concerns.

The impact of ESG risks on creditworthiness depends on the specific characteristics of each investment. For each instrument, we perform detailed proprietary research on the issuer and structure in order to understand the applicable risks and to determine a risk-adjusted fair value for the instrument. We perform this analysis both at issue date and during the life of the instrument in order to inform our investment decisions. We further embed risk management into the construction of fixed-income portfolios through diversification and by limiting exposures to individual issuers.

Corporate governance failures have historically contributed to the bulk of ESG-related defaults in the South African market. Coronation has largely avoided these experiences in the fixed-income market. Conversely, while environmental and social risks are lower probability events, their effects can be severe, and single events can affect the creditworthiness of multiple issuers simultaneously.

The Covid-19 pandemic is an example of an extreme event with major social and economic implications. The response to this pandemic had a significant impact on the pricing, volatility and liquidity in fixed- income markets. The increased credit risks, including risks of covenant breaches and possible capital raising requirements highlight how an ESG event can affect creditworthiness - especially for issuers that were disproportionately affected by the crisis or were overly indebted leading into the crisis.

The time horizon of a fixed-income investment affects our ESG and credit assessments, the longer dated they are, the higher the probability of a downside risk event materialising. Additionally, it's important to recognise that many ESG risks that appear to be long-term risks could materialise during the shorter term of an investment. For example, the severe drought that was recently experienced in Cape Town affected businesses that operated in this region. These risks need to be considered when assessing the predictability and certainty of an issuer's ability to generate future cashflow to meet its debt obligations.

In addition to ESG implications in credit risk analysis, there could be duration and yield curve considerations for fixed-income portfolios. As is evident with the Covid-19 and the climate change crises, ESG events can have significant economic implications, including the need for government intervention. The monetary and fiscal response to these events affects the level of interest rates and government bond pricing.

Engagement

Engagement has been a longstanding part of our fixed-income investment process. ESG engagement with issuers allows us to evaluate a company's strategic direction, and how it will address future risks. Given the asymmetric return profile of investing in fixed-income, credit selection is primarily focused on mitigating downside risk and our engagement efforts are aimed at reducing these risks and influencing positive impact where possible.

More than half of the debt listed on the JSE is placed by the South African government. Other issuers include South African state-owned companies, corporates, banks, municipalities and debt issued by listed real estate investment trusts (REITs). Given the limited number of issuers, and the overlap with companies listed on the stock exchange, we engage with all issuers where there is clear indication that an engagement has the potential to add value or where we have concerns around risks, regardless of whether we hold their debt. We have large ownership stakes in many companies and have developed relations with senior management and directors at these companies. We leverage these relationships to address ESG issues that are relevant to the creditworthiness of an issuer.

In 2017, the JSE opened a Green Bond segment on the exchange. We were instrumental in structuring the first Green Bond, which was issued by Growthpoint.

We engage with issuers throughout the issuance lifecycle. For new issuances, we carefully evaluate the terms of any potential transaction. In addition to our in-house legal expertise, we retain an external legal advisory firm for in-depth analysis where needed. We are able to influence the contractual agreements by, for example, ensuring that covenants include the metrics that we feel are necessary, and setting disclosure obligations. We express views on the importance of ESG matters, how these may influence the decision to invest, and at what price. As a large investment manager Coronation has underwritten and participated in the negotiation of the terms of a number of debt issuances.

For example, in 2017, the JSE opened a Green Bond segment on the exchange. We were instrumental in structuring the first Green Bond, which was issued by Growthpoint. We assisted Growthpoint to define how the proceeds would be used; establishing the required assurances from the Green Building Council of South Africa (GBCSA) and auditors for the required property management system, as well as setting the annual reporting commitments on the various green components of the buildings for which the proceeds were being used.

Post issuance, companies frequently need to refinance their debt, or an issuer may seek consent to make amendments to contractual terms of existing bonds. We actively seek direct dialogue with the boards and management of companies for better understanding, improved ESG disclosure, management and mitigation of financial risks, and the maximising of positive sustainability outcomes.

Fixed-income investors face unique challenges, such as their different seniority in the capital structure; different forms of security, as well as the variety of instrument types, maturities and issuing entities. ESG risks could be stock specific and evaluating these risks could lead to us not investing if we feel spreads do not provide adequate compensation for the risks. For example, we currently do not have exposure to many state-owned enterprises due to governance concerns. ESG risks could also affect instruments across a sector, like the requirement for REITS to distribute all of their income without having to allow for the depreciation of assets, leaving them with very little operational cash to properly maintain their assets and in turn borrowing funds for this purpose (refer to the case study with the South African Real Estate Investment Trust Association on page 48 for more details). Some ESG factors can affect investment returns indirectly. For example, while we do not hold Eskom debt at present, we continue to engage with the entity wherever possible as there are economy-wide implications.

Engagements are continuous and ongoing to ensure issuers improve their governance or sustainability practices. We regularly collaborate with other investors and industry bodies to work towards a better functioning bond market. +

Further information on our approach is outlined in Coronation's ESG Policy and our Proxy Voting Policy, available in the Stewardship section of our website: www.coronation.com.

Reflections on our Proxy Voting in 2019

Overview of our approach

Proxy voting is an integral part of our stewardship responsibilities and an important way in which we are able to exercise our ownership rights.

We have been voting on behalf of our clients' portfolios since our inception in 1993. As such, our approach to proxy voting, and the effectiveness thereof, is informed by our experience over the past 26 years.

Coronation's voting policy outlines the principles that determine how we will vote on company resolutions. We consider and vote on all proxies for all companies in which we hold shares on behalf of our clients, regardless of the size of these holdings.

For each company on which a proxy vote is required, the analyst responsible for the research coverage is also responsible for Coronation's vote. We believe it is imperative that environmental, social and governance (ESG) analysis remains within the remit of the investment team and the dedicated analyst, as they are best placed to understand the nuances and implications of ESG factors and how it impacts the company. This includes a detailed understanding of the ESG factors and considerations that apply to each vote. Unusual or contentious issues, such as hostile takeovers or proposals not considered to be in the interests of shareholders must be discussed with the Chief Investment Officer and other senior investment managers. We furthermore access the research and voting recommendations provided by a large third-party proxy voting advisor. Analysts review in order to gain additional information on complex votes, and to be aware when we are taking views that are not in line with the broader market.

We are finding that it is increasingly difficult in some countries, such as South Africa, to find appropriately skilled people to join boards of companies.

Clients often ask why we typically are not seen to record opposing votes at annual general meetings (AGMs). Our overriding principle is that constructive, pre-emptive engagement and resolution is preferable to formulaic voting at general meetings. We often engage extensively with boards and management teams well ahead of any votes, as we want to ensure that our concerns are dealt with before the vote.

By way of example, should we believe it appropriate to remove board members who we believe are not exercising their fiduciary responsibilities in relation to shareholders' interests, we will always approach the board and the individuals upfront and deal with our concerns in a constructive and professional manner. We believe that exercising a proxy without prior engagement or forewarning to the company would be contrary to the company's, and therefore our investors', best interests. In general, voting against resolutions is always the last resort and not something that we do lightly. It is only in those cases where the company refuses to take our suggestions on board, that we do end up voting against resolutions. When we vote against or abstain from voting on a particular resolution, the vote will also be followed up by a letter or telephone call to management explaining the reasons for doing so.

Securities lending

Coronation does not currently engage in securities lending on the portfolios that we manage. When stocks are on loan, the voting rights for those shares are also transferred as part of the securities lending arrangement. Securities lending thus limits our ability to exercise proper long-term stewardship of these investments. We do have segregated clients who themselves engage in securities lending, which we permit subject to reasonable restrictions. These restrictions include setting a threshold on how many shares can be on loan at a given time. This allows us to exercise their shareholder voting rights in relation to that portion of the shares that may not be lent out. In certain circumstances, clients reserve the right to recall securities on loan prior to AGMs and, provided that clients notify us timeously, we are able to include the recalled shares in our voting .

Client specified voting policies

We are able to apply bespoke voting policies for those segregated clients who prefer us to do so. In these cases, the clients have either provided us with their own proxy voting guidelines to which we adhere or have outsourced their voting to a specialist company. While we can accommodate these preferences for segregated clients, we do make all voting decisions for our pooled funds. In addition, given our active management approach, as a general principle, we prefer to retain the voting rights of shares held on behalf of clients so that we are better able to apply our full weight of ownership to our voting power, as and when needed, with the ultimate goal of extracting long term value for our clients.

Shareholder proposals that a company tables a resolution

There are instances where shareholders themselves propose that a company table, either on a once-off or on a re-occurring basis, a resolution for approval by its shareholders. We consider such shareholder proposals and would generally support those that are likely to materially enhance long-term company value, reduce financial and/or ESG risks or improve disclosure practices. Engagement and the growing propensity by corporate directors to seek input from large shareholders does, however, diminish the incidence of such shareholder proposals being put forward.

A proxy voting success story

A good example of where we have used proxy voting successfully is in relation to remuneration.

Our guiding principle on executive remuneration is that we endeavour to assess a company's remuneration policy as far as possible in a holistic manner. While we always evaluate key issues, such as alignment with shareholder interests, the potential for undue enrichment and evaluation time horizons, we do not focus myopically on any single aspect or metric. No remuneration policy will be perfect. A supportive vote signals that we believe the policy to be fair, having considered the policy in its entirety, having due regard to the appropriateness of the balance between the various components of the policy.

In 2019, we took the decision not to support any remuneration policy that does not include malus and clawback mechanisms to protect the company from fraud or other material misrepresentation by executives. A malus and clawback clause typically allows companies to legally recoup any bonuses that were inappropriately paid to executives based on fraudulent misstated financial information (or to ensure that, if not yet paid, such bonuses are forfeited). We addressed letters to the boards of numerous companies informing them of our decision. The outcome was that all the companies responded favourably and incorporated this provision into their remuneration policy.

More broadly, we are committed to driving appropriate remuneration structures at the companies in which we invest and ensuring that we are holding management accountable.

Key focus areas of 2019

We have continued to focus on board composition, attendance, and competence. This includes ensuring that directors have the level of competence and diversity of skills and perspectives that are required to appropriately challenge management. It is critical that boards are chaired by independent directors that are able to exercise unfettered judgement. There is a risk that directors who serve on too many boards cannot adequately fulfil their role given the excessive workload. A strong mix of relevant skills (including financial, technical and commercial) and experience on the board is critical. We are finding that it is increasingly difficult in some countries, such as South Africa, to find appropriately skilled people to join boards of companies.

When we believe that directors do not have the necessary skills set, it does tend to result in challenging conversations with management and the chairman, but we nevertheless make sure that our concerns are considered. We have supported nominations where we were of the view that the company had taken constructive action and put in place processes to address the concerns raised.

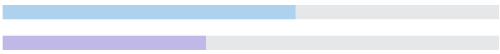
We assess each situation as it arises and are of the view that 'one-size-fits-all' policies could lead to inefficiencies or capital misallocations.

During the year, we made voting recommendations on

5 980 resolutions

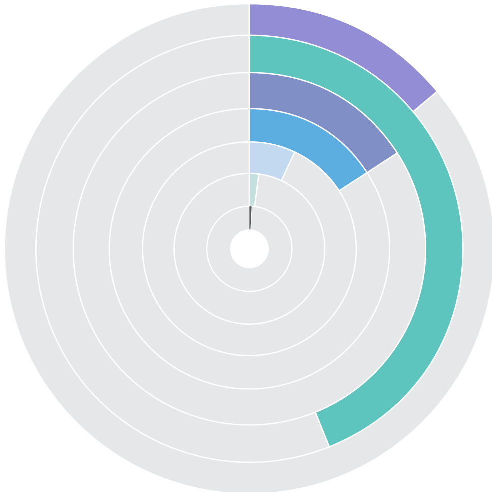
at **472** meetings

HOW WE VOTED:



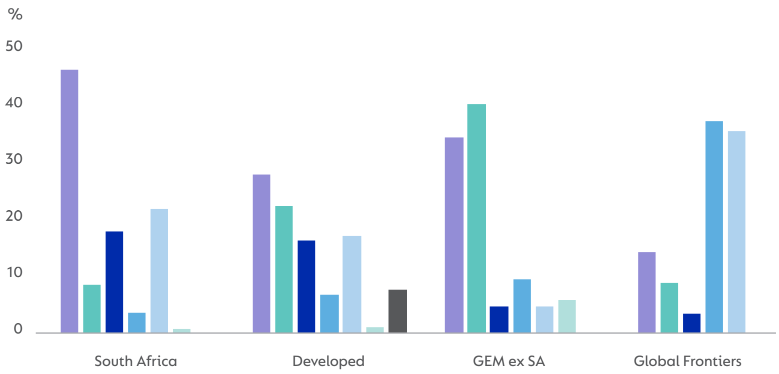
Meetings with dissenting votes **59%**
Meetings voted FOR all resolutions **41%**

GLOBAL BREAKDOWN OF DISSENTING VOTES ON A PER RESOLUTION BASIS



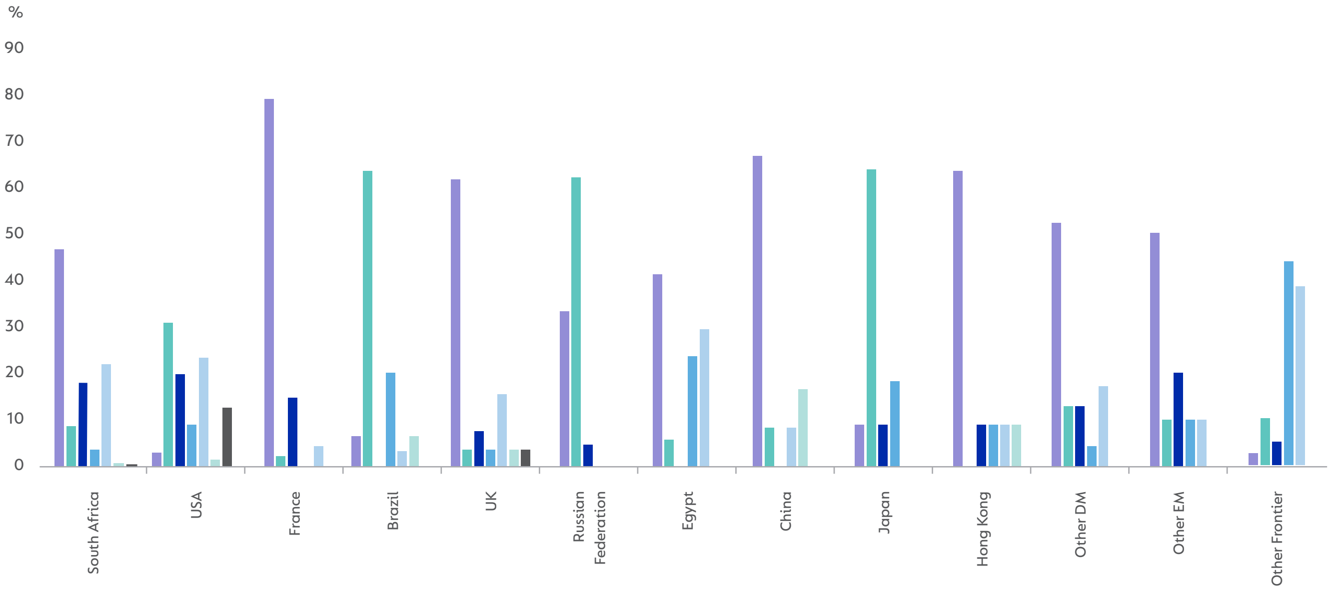
Capital structure **14%**
Board structure **44%**
Remuneration **16%**
Other governance **16%**
Auditors **7%**
Business strategy & risk management **2%**
Environmental & Social **1%**

DISSENTING VOTES ON A PER RESOLUTION BASIS BY REGION



Capital structure · Board structure · Remuneration · Other governance · Auditors · Business strategy & risk management · Environmental & Social

DISSENTING VOTES ON A PER RESOLUTION BASIS BY COUNTRY



Capital structure · Board structure · Remuneration · Other governance · Auditors · Business strategy & risk management · Environmental & Social

We have been very successful in driving mandatory audit rotation. As part of our efforts to safeguard against fraud and corruption, we apply a hard rule requiring audit firms to rotate after a maximum 10-year term. The audit process must be objective, rigorous and independent to maintain investor confidence. We have experienced too many instances over the past few years where auditors have not applied sufficient rigour in their audit processes or objectivity in their oversight of financial reports. We accordingly communicated to our investee companies that, after 10 years, companies may no longer have the same auditor. We believe this is crucial to re-establish a link between the accountability of auditors and shareholders.

Globally, shareholder proposals on climate change have become more common in recent years. The first climate-related shareholder resolution submitted for approval in South Africa was tabled at the Standard Bank Group Limited AGM in May 2019. It is notable that this issue was raised at a bank, whereas the majority of these types of resolutions have previously been raised at oil and gas companies. The resolutions articulate a concern that shareholders should be able to assess the extent to which Standard Bank is exposed to climate risk through its lending, investment and financing activities. Similar resolutions were put forward at the FirstRand AGM in November 2019. While we voted in favour of these proposed resolutions, they failed to receive a majority vote.

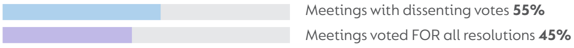
The resolutions articulate a concern that shareholders should be able to assess the extent to which Standard Bank is exposed to climate risk through its lending, investment and financing activities.

However, we expect to see progress by companies on this front in the coming years, as investor pressure escalates for improved environmental practices and disclosure. In this vein, in 2019, we had several discussions with Sasol regarding their emission reduction plans and their disclosures. We worked with other shareholders to propose appropriate resolutions for tabling at their 2019 AGM. Ultimately, these were not put forward, as the company was about to release its climate change report addressing most concerns. On 30 October 2019, Sasol released its first report aligning with

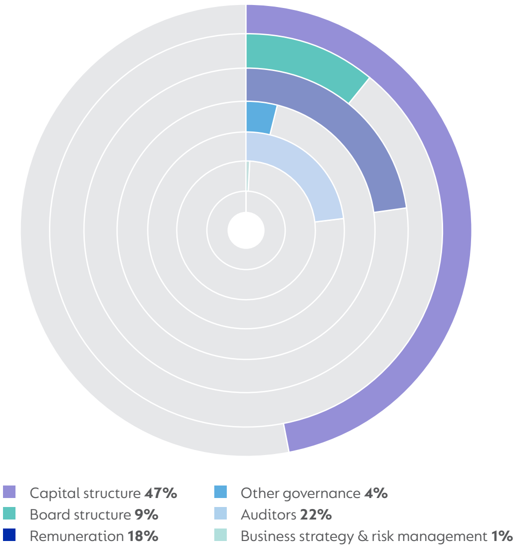
SOUTH AFRICA

In 2019, we made voting recommendations on 3 104 resolutions at 195 meetings, of which 234 votes were against the proposed resolutions.

HOW WE VOTED:



BREAKDOWN OF DISSENTING VOTES ON A PER RESOLUTION BASIS

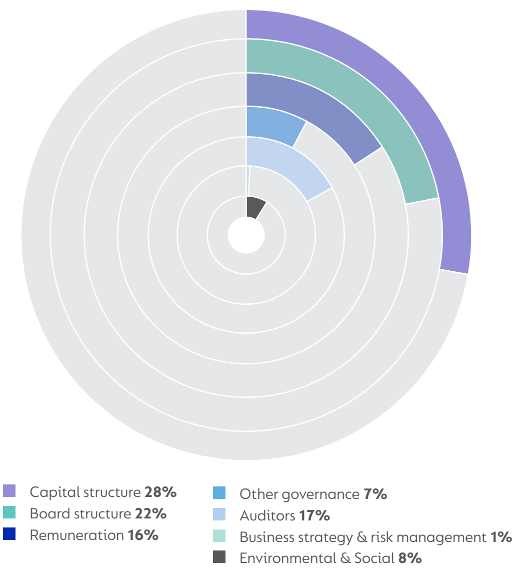


DEVELOPED MARKETS

In 2019, we made voting recommendations on 1 485 resolutions at 107 meetings, of which 242 votes were against the proposed resolutions.

HOW WE VOTED:

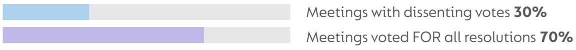
BREAKDOWN OF DISSENTING VOTES ON A PER RESOLUTION BASIS



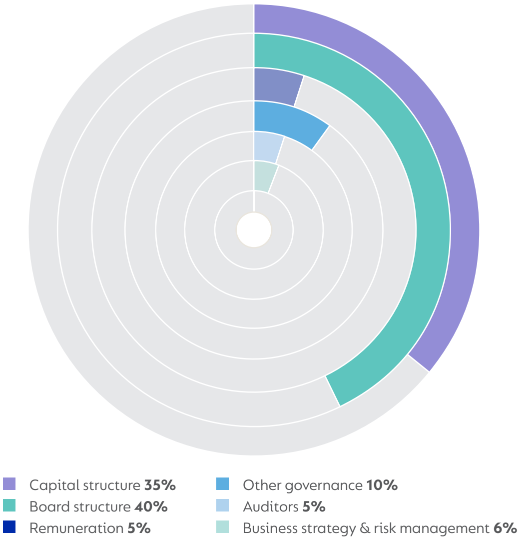
EMERGING MARKETS (EX-SOUTH AFRICA)

In 2019, we made voting recommendations on 699 resolutions at 81 meetings, of which 46 votes were against the proposed resolutions.

HOW WE VOTED:



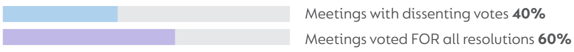
BREAKDOWN OF DISSENTING VOTES ON A PER RESOLUTION BASIS



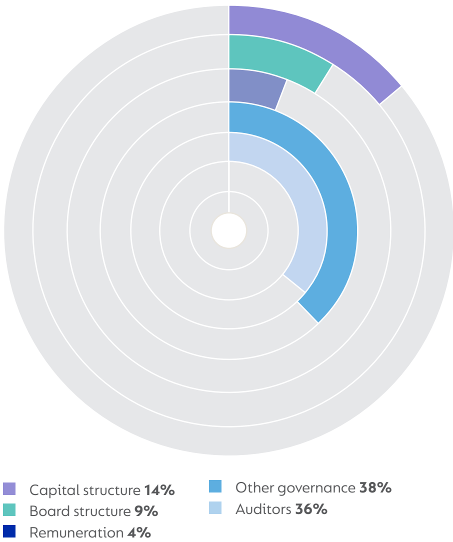
GLOBAL FRONTIER MARKETS

In 2019, we made voting recommendations on 692 resolutions at 89 meetings, of which 54 votes were against the proposed resolutions.

HOW WE VOTED:



BREAKDOWN OF DISSENTING VOTES ON A PER RESOLUTION BASIS



the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This demonstrates the power of shareholder activism to shift corporate priorities. The details of this engagement are included as a case study in this report.

That being said, we will not always vote in favour of all shareholder proposals. We assess each situation as it arises and are of the view that 'one-size-fits-all' policies could lead to inefficiencies or capital misallocations.

The standard resolutions tabled at AGMs that we most frequently voted against during the year were those granting authority to directors to generally and unconditionally issue shares. Our policy, as a general rule, discourages resolutions that grant blanket authorities. Our view is that shareholders should be able to vote on all issues of share capital (with specific justification being provided for each issue) as such issuances may result in value dilution. We take a similar view on the general authority to issue shares for cash. However, in exceptional circumstances, we may waive this rule where, for example, acquisition deal flow is high and where we feel the company's cost of equity is especially low.

Reporting

All of our voting recommendations are disclosed on a quarterly basis on the Coronation website https://www.coronation.com/institutional/about-us/stewardship/. In addition to this annual Stewardship Report (also available on our website), we provide updates on ESG matters during report backs to clients. As a PRI signatory, we are required to report publicly on our responsible investment activities each year. These Transparency Reports together with the Assessment Reports are accessible to signatories on the PRI Data portal. We have contracted with Proxy Insights to categorise all voting proposals so that we are able to produce insightful analysis of our voting action. Going forward this will be available for regular client proxy reporting. +

Meaningful engagement

Our approach

As a fundamental manager, we regularly interact with all of the companies that form part of our investment universe. This is a core part of our research process that improves our understanding of the prospects and risks for each of the companies that we analyse. We maintain constructive relationships with the boards and senior management teams of these companies and interact regularly on a full range of issues, such as business strategy, operational performance, risk management and corporate governance. Given that ESG is fully integrated into our investment process, the scope of these interactions includes informed discussion about ESG risks, practices and disclosures.

We engage actively with companies when we have material concerns about issues that can affect the long-term sustainability and value of a business, and always attempt to engage in a manner that is respectful, constructive and outcomes-driven. Our fundamental research process enables us to develop specific engagement strategies for each company based on our knowledge of the key issues affecting that company, and the industry and jurisdiction in which it operates.

While we usually engage independently, we will collaborate with other like-minded investors when we believe that a combined effort will be more effective.

Engagement with representatives of our underlying investments takes place through a variety of methods, including in-person meetings, videoconferences, teleconferences, formal correspondence, and proxy voting. We often address a number of areas of concern in each engagement. While we usually engage independently, we will collaborate with other like-minded investors when we believe that a combined effort will be more effective. Whether we engage individually or collaboratively, we typically prefer non-public engagements in order to ensure we don't negatively impact dialogue and potentially jeopardise the desired outcome.

Individual analysts within Coronation are responsible for identifying and integrating ESG factors into their investment analysis and assessments of a company's long-term fair value. They are further responsible, alongside senior team members, for driving engagement with companies on material issues, and for making recommendations on proxy votes. This ensures that we follow a holistic approach to active ownership, given the link between the general interactions required to understand a business, formal engagements on material issues, and the way in which we exercise our shareholder rights, through proxy voting or otherwise.

All formal company engagements are stored in a central database that records the details of who participated, the event or issue that led to the engagement, our concerns or objectives, the company's response and how the issue was resolved. Depending on the situation and context, an effective company response could be providing Coronation with more information or clarification on an issue, accepting the validity of our concerns, agreeing to make modifications to their business or policies, or making other commitments to address the issue.

Engagements in 2019

In 2019 we had 320 engagements with 174 companies covering 22 separate themes. Many of these engagements were company-specific, where we engaged on specific concerns such as business strategy, capital allocation decisions and proposed corporate actions. However, we also find that many of our engagements with companies are thematic in nature, based on issues that are relevant at the time. For example, in 2018 we engaged extensively with South African companies that were affected by the drought in Cape Town in order to understand the impact that it was having on their businesses, and the mitigation strategies that they were putting in place.

As with prior years, in 2019 we continued to emphasise the importance of good corporate governance, with over 75% of our engagements linked to concerns that we had with governance practices. Companies require proper governance structures to ensure that they have the skills, structures, and incentives to drive long-term business success. Companies that lack good governance are exposed to increased risk of mismanagement and misalignment between the objectives of management and the long-term interests of stakeholders. This, in turn, impairs the ability of a company to manage its environmental and social impacts.

The case studies that accompany this report indicate the breadth and complexity of some of the governance issues that we have encountered and demonstrate that there are often no straightforward solutions. It is our view that governance matters should be addressed in a manner that is best suited to the unique circumstances of the particular company concerned.

Board composition

We engaged with companies where we were not satisfied with board composition, including where we had concerns around independence (of the Chair and the Board itself), the diversity and competence of directors, and the availability of directors to give the required level of focus to be effective in their roles. We continued to advocate for a strong mix of financial, technical, and commercial skills that meet the individual needs of each business. We have found that engagements where we express our concerns about the skill levels of board members tend to be difficult discussions. However, we have also found that, as we have persisted in voicing our concerns, companies have increasingly understood our perspective, and we have started to see what we believe to be positive changes coming through.

Remuneration

Remuneration was once again a key governance concern for Coronation, with over two thirds of our governance-related engagements linked to remuneration. In 2019, we updated our internal principles regarding how we vote on executive remuneration. We recognise that the adequacy of a remuneration policy requires a holistic assessment of the balance between various factors, such as the KPIs used to measure performance, the balance between short-term and long-term incentives and the degree to which the policy ensures alignment between the interests of management and shareholders.

However, in 2019, we decided not to support any policy that does not include malus and clawback mechanisms to protect the company from fraud or other material misrepresentation by executives. A malus and clawback clause allows companies to legally recoup any bonuses that were inappropriately paid to executives based on fraudulent or misstated financial information or requires executives, in such cases, to forfeit the bonus if not already paid. We sent letters to the boards of numerous companies and had success with most companies incorporating this provision into their remuneration policy. We amended our proxy voting policy to ensure that we always vote in line with this requirement in future.

Audit rotation

In the past few years there have been a number of instances where auditors were not able to detect corporate malfeasance. We believe that the longer an auditor remains with a company, the more

We have taken a firm stance that we require audit rotation within a maximum of 10 years and communicated this requirement to companies where we had concerns about audit tenure.

likely it is that they lose sight of their objectivity and fail to apply sufficient rigour within their audit processes. We have taken a firm stance that we require audit rotation within a maximum of 10 years and communicated this requirement to companies where we had concerns about audit tenure. We believe this will help to re-establish the link between the accountability of auditors and the needs of shareholders. We found that the companies with which we engaged were very receptive to this. We further aligned our Proxy Voting Policy to this requirement.

Shareholder value

We regularly engage with companies on matters where we believe that action is required to unlock or enhance shareholder value, or where we believe that a company should refrain from activities that are (or could be) value destructive. In 2019 we had a number of successful engagements with companies across our local and global equity portfolios. We addressed a variety of matters, all of which were stock-specific, requiring informed dialogue based on a fundamental understanding of the company and its value drivers. The issues that we addressed were wide ranging and included discussions on business strategy, capital structure, capital allocation, corporate actions (such as mergers) and regulatory matters.

We had a number of engagements with companies where we felt that their capital structures were suboptimal, and where shareholder value could be unlocked through the removal of holding company structures (and related discounts), or through other corporate actions.

For example, Eastern Tobacco has been a significant position in the Global Frontiers Strategy at various times over the past decade. We have engaged extensively with management across a range of financial and ESG concerns, including capital allocation strategy, dividend policy, non-core investments, production efficiency, board structure, and shareholder engagement. We held numerous meetings and calls with Board members, regulatory authorities, co-shareholders (including the government-owned majority shareholder and large minority shareholders), and wrote multiple letters to the Board, formally expressing our views. We have seen positive outcomes from these engagements, including a stronger Board, the declaration of a special dividend, and a commitment to halt non-core activities. Since then, operational efficiency has improved, and the company has taken significant steps to reduce production wastage, improve employee productivity and optimise inventory management.

Our team also engaged with Vietnam Enterprise Investments Limited (VEIL), an investment fund that is listed in London that invests in Vietnamese equities. We spent time with the CEO to better understand the role that ESG plays in their investment process. This provided us with the necessary comfort around the allocation of resources to ESG-related matters and the way in which it is applied at a stock level to determine eligibility for inclusion in the fund. We also engaged with VEIL to discuss issues around foreign ownership limits in Vietnam. We encouraged them to be more active in engaging with authorities to improve market function and transparency. Their response to these interactions has been a commitment to increase their focus on engaging with the regulators on foreign ownership limits. While not yet resolved, the company has made progress. For example, they got approval for an ETF which allows foreigners to invest in shares that are otherwise capped out at the foreign ownership limit.

While recognising the breadth and scale of the effort required to reduce pollution, we took the view that South African retailers could do more to reduce the impact of plastic bags on the environment.

Single-use plastics

While recognising the breadth and scale of the effort required to reduce pollution, we took the view that South African retailers could do more to reduce the impact of plastic bags on the environment. We understood that this is a difficult topic and that measures to reduce plastic bag pollution are complex and potentially costly. We also noted that many of the possible alternatives to plastic bags may not be as environmentally friendly as they first appear. Having said this, similar countries have made greater progress in this area than South Africa, and we felt that this was an area where large South African retailers could make a visible difference.

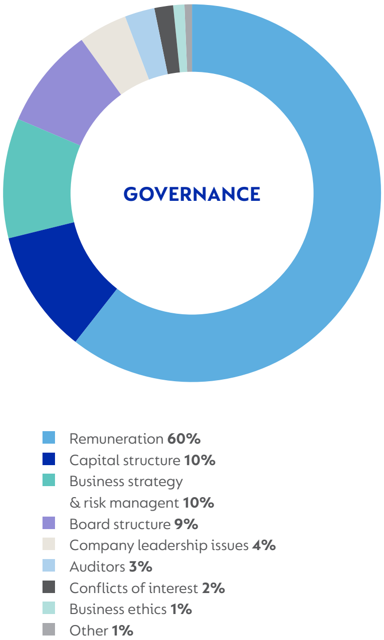
We therefore collaborated with other asset managers to write a letter to the management teams of large South African retailers to express our concerns regarding single-use plastics. We recommended that they consider accelerating the reduction, or even total elimination, of single-use plastic shopping bags in their stores. We noted that we are aware that this was a complex topic and of the potential bottom-line impact. However, as shareholders or potential shareholders, we believed that we have to accept some reasonable level of financial cost, in support of a sustainable environment.

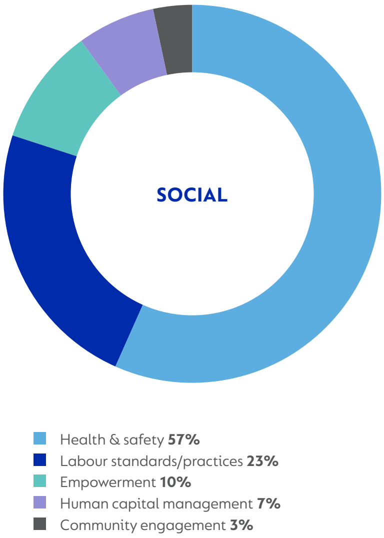
In this case, we felt that the best engagement approach would be to express our views, and to open lines of communication with management teams for further engagement on this topic.

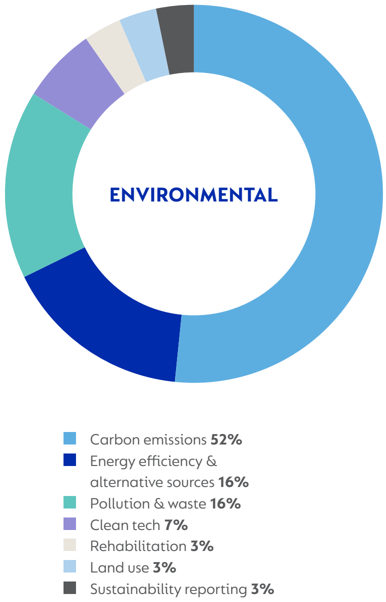
Health and safety

We had a number of engagements with mining companies in 2019 in order to better understand their employee safety records and the measures that they were putting in place to improve safety standards. Our fundamental approach to understanding how these companies operate helped to ensure that our discussions around employee safety considered the context within which the companies operated, and the risks to which their employees were exposed. These engagements enabled us to understand the improvements that the companies had made in order to assess whether they are

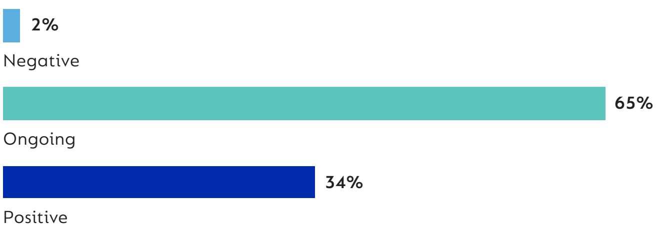
Engagements by theme



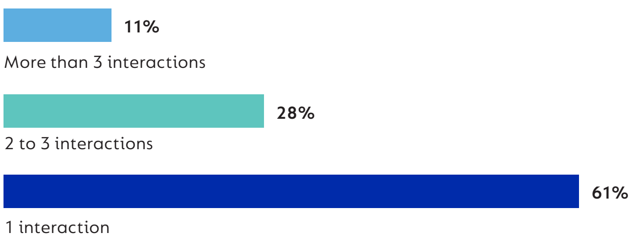




ENGAGEMENTS OUTCOMES



NO. OF INTERACTIONS WITH A COMPANY



implementing best practice, and their strategies for further improving employee safety. It also provided us with a good perspective on those companies where we believed the safety procedures to be insufficient and the approach toward employee safety to be lacking.

Carbon emissions and disclosures

We engaged with a number of companies to better understand their environmental impact and to encourage improved disclosure. For example. we spent a significant amount of time assessing the quality of the disclosures and targets that Sasol has published regarding its green-house gas emissions and engaged with management on these matters. We further addressed letters to Anglo American and BHP Billiton to express our concerns about the potential unintended consequences of the growing industry-wide action to exclude investment in listed companies that own coal-producing assets. Both of these engagements are included as case studies in this report.

In addition to the above, we engaged with companies on a range of environmental matters, including carbon emissions, energy efficiency, pollution and disclosure practices. We expect to ramp up these engagements in the next few years, particularly as the industry coalesces around industry standards, such as the standardized disclosure requirements coming from the Task Force on Climate-related Financial Disclosures. +

Case studies

01 Addressing governance concerns

COMPANY:
SPUR CORPORATION

COUNTRY:
SOUTH AFRICA

ACTION:
MEETINGS & VOTING

OUTCOME:
POSITIVE

SPUR CORPORATION IS a steakhouse franchise and an established South African brand. It is a small company that kept a low profile for most of its 20 years as a listed company. During this time, its governance standards were consistently weak and there was very little alignment between the management team and the company's shareholders.

As an example, the 2018 Integrated Annual Report disclosed that 74 individual restaurant ownership stakes were held by management and their family members out of a total of 616 stores. These store ownerships were a clear conflict of interest between management, shareholders and franchisees. In addition to this, royalty breaks were granted to 26 management-owned stores in the 2018 financial year alone; these breaks are typically not repaid.

Looking abroad, the company had doggedly pursued an unprofitable strategy in Australia for more than a decade, weighing on returns and detracting from the core South African business. This drag was compounded by a loan to a senior executive of over R2 million to open a store in New Zealand, which found itself in financial difficulty. Further to this, the group's Remuneration Policy had resulted in high levels of remuneration over time and a strong misalignment between the interests of management and shareholders.

The core issue here was that all listed companies need to balance the interests of all stakeholders, and, in the case of Spur, we believed that shareholders had not been given due consideration for years.

Action

In the five years since 2015, we held 15 governance-specific meetings with management or Board members to address our concerns. Our early engagements consisted of several meetings with executive management and the Remuneration Committee, at which we requested changes to their Remuneration Policy. Neither parties were receptive to our concerns and, as a consequence, we voted against the company's Remuneration Policy in 2017, 2018 and 2019.

In 2018, we pushed for the company to appoint new directors with the appropriate skills and independence to the Board. We voted against three Board members who were up for re-election in that year, after having engaged with other shareholders on the matter. Once a new Chairperson was appointed in 2019, we engaged with him to address the extent of the related-party transactions, the unprofitable Australian ventures and the general disregard for shareholders' interests.

Outcome

Progress was consistently disappointing until the Board changes were effected. Since then, our meetings with the new Chairperson have been increasingly positive. The Board has recently communicated its intention to remove the conflicts of interest, implement a new best-in-class remuneration scheme, withdraw from the loss-making international markets, and implement a more rigorous capital allocation framework.

In the last six months, the CEO has divested from his four store ownership stakes and the group is working on a plan to reduce the balance of the conflicts, under strict direction from the Board. Two new independent and highly qualified Board members have been elected, including a new head of the Remuneration Committee. We have been very encouraged by the Board's acknowledgement of the issues we have raised and its willingness to tackle them and have meaningfully increased our stake in the business.

Two new independent and highly qualified Board members have been elected, including a new head of the Remuneration Committee.

02

Examining asset exclusions and emissions management

COMPANIES:
ANGLO AMERICAN PLC. & BHP BILLITON

COUNTRY:
SOUTH AFRICA

ACTION:
MEETINGS & VOTING

OUTCOME:
ONGOING

WE HAVE BECOME increasingly concerned about the growing industry-wide action to exclude investment in listed companies which own coal-producing assets. This is being driven by the increased disclosures of the emission intensity of investment portfolios. The reaction from most listed companies that have come under pressure is to announce coal divestment strategies. However, we believe that rather than helping resolve the associated pressing climate issues, divestment will have a potentially detrimental impact on the environment.

Coronation strongly supports the need for a reduction in global greenhouse gas (GHG) emissions and believe that all stakeholders need to play their part in making this happen. However, we assess that the disposal of thermal coal assets by listed companies will have unintended consequences. These disposals do not mean the cessation of coal production operations, nor the reduction of related GHG emissions. It merely results in moving those activities and emissions out of the public and thus regulated eye and into an environment of reduced accountability.

Our view is that, for better environmental and social outcomes, it is preferable for these assets to remain in listed hands, where management teams and boards are required to disclose information and data about their emissions, worker safety and community engagement. We also believe that the lifecycle emissions and the localised environmental impact of these assets is likely to be materially lower in listed hands versus a non-listed owner.

A listed owner has far greater transparency to deal with, which helps ensure that exposure to coal assets and production is managed down in an orderly and more sustainable transition. In contrast, a private equity player could likely maintain or even expand coal production. This would be at odds with the goal of improving environmental outcomes.

Action

We sent a letter to the boards of Anglo American and BHP Billiton expressing our view noted above, that we believe thermal coal assets should remain in the listed operating companies and managed down in a responsible manner over the life of a mine.

Anglo American responded, noting that their thermal coal portfolio has reduced materially since 2012.

Outcome

Anglo American responded, noting that their thermal coal portfolio has reduced materially since 2012. Current assets have a remaining life of 12 years. The company is committed to managing these assets to the company's high environmental, social and governance standards (ESG) over the short- to medium term. They support a transition away from thermal coal over the longer term. Should they decide to sell, they do commit to sell to a responsible party that upholds high ESG standards. BHP Billiton have indicated they are working on a response. We continue to engage with both companies on this very difficult issue.

03

Revisiting corporate structure

COMPANY:
TRENCOR

COUNTRY:
SOUTH AFRICA

ACTION:
MULTIPLE MEETINGS, LETTERS

OUTCOME:
ONGOING

TRENCOR IS A well-established, household-name South African company, and Coronation has been a shareholder for many years. At the time of investing, the company's attraction lay in its main asset, the international container leasing company, Textainer, which is exposed to the growing international containerised shipping trade. This offers exposure to a geared play on global growth and an industry that was not otherwise represented on the Johannesburg Stock Exchange (JSE).

Going back many years, Trencor curtailed most of its former manufacturing and financing activities, and essentially became a holding company with legacy assets. It was still controlled by its founding family through the Mobile Industries pyramid structure. Textainer was held through a convoluted offshore structure, originally set up to disavow South African ownership when sanctions were in place. The entire enterprise traded at a significant discount, generally 25% or more, to its underlying assets.

Several shareholders were unhappy with the value-trap situation and were in favour of change. We engaged with the company, in an attempt to unlock value for shareholders. Although we knew that this would be a long process, we underestimated just how long it would be. In hindsight, some of the challenges were relatively simple. For example, the family owners had to be persuaded that the control pyramid no longer served a purpose and, a few years later, that they should retire from the Board.

Some issues proved harder. The unwinding of offshore structures was very complex, and we had to educate ourselves on legal and taxation issues to the extent that we retained our own independent counsel to advise us.

Outcome

The first positive step was the unbundling of the Mobile pyramid structure, and with it, family voting control. This was followed by the strengthening of independent directors on the board (we recommended the appointment of Herman Wessels, a respected independent director) and the retirement of the two family directors from the board. A major win came some three years ago, when Trencor agreed to wind the company up. Trencor unwound and unbundled the offshore holding structure, such that it held its Textainer shares directly, and the rest of its assets were liquidated. Textainer listed inwardly on the JSE, such that South African-based shareholders did not have to sell their shares once they were unbundled from Trencor.

On 19 December 2019, Trencor's unbundling finally took place. Investors received Textainer shares, representing some two thirds of Trencor's value, and unlocking most of the holding company's discount. The remaining third, still listed as Trencor for now, is a cash shell that is in the process of being wound up. It should cease to exist in the next few years, depending on how the outstanding issues can be dealt with.

Way forward

We are now direct shareholders in Textainer, a company that is registered in Bermuda and consequently subject to less onerous governance standards than global best practice requires. The debate with Textainer's board and management on this issue has now started. We are currently using our standing as a direct shareholder to drive improved disclosure around executive remuneration and to have a poison pill removed from the company's by-laws.

04 Addressing carbon emissions

COMPANY: **SASOL**

COUNTRY: **SOUTH AFRICA**

ACTION: **MEETINGS, LETTERS, SHAREHOLDER COLLABORATION**

OUTCOME: **POSITIVE AND ONGOING**

ACCORDING TO 2019 measurements, Sasol currently emits 67 million tonnes of GHGs per annum (Scope 1 and Scope 2 emissions*). The bulk of this, c.85%, comes from its South African operations, with the primary source being Secunda, which alone emits around 55 million tonnes per annum. South Africa is signatory to the Paris Climate Agreement and, as part of this, has put forward a National Determined Contribution Plan outlining the country's targeted carbon emissions path. In turn, Sasol has a set out a carbon budget, with which it is in full compliance. However, although Sasol is currently within the parameters of its carbon budget, it has not provided adequate disclosure on its future emissions targets and what plans are in place to reduce their GHG emissions. As concerned shareholders, we require transparency on these matters.

Action

We had several engagements with Sasol management and their sustainability team to understand and discuss the extent of their emissions, and proposed suggestions for increased disclosure on the company's curtailment plans. We were also a part of a shareholder consortium that approached Sasol to propose the following resolutions at its 2019 AGM:

- Disclosure of Scope 1 and 2 GHG emissions targets and to link the targets to management remuneration
- Disclosure of Scope 3 GHG emissions[1] in 2020
- From 2022 onwards, disclosure of Scope 3 GHG emission targets

Sasol rejected the proposals on the basis that the matters have been addressed in Climate Change Report that was due for release post the AGM and therefore there was no need to table the resolutions. The since published Report has met some of our requests. It has disclosed a target to reduce Sasol's absolute GHG emissions from their South African operations by at least 10% off the 2017 baseline. They have also disclosed their Scope 3 emissions of around 36 million tonnes. They have not, however, linked the targets to management remuneration. They have undertaken to do so towards the end of the 2020 calendar year and will be included in next financial year's Remuneration Policy.

We had several engagements with Sasol management and their sustainability team to understand and discuss the extent of their emissions.

Outcome

While all our requests were not met, our constructive engagement led to improved disclosure and willingness to engage by Sasol. We will closely monitor future developments and will continue to engage with the company on these issues.

[1] Scope 1: Direct emissions from the activities of an organisation or under their control. Including fuel combustion on site such as gas boilers, fleet vehicles and air-conditioning leaks. Scope 2: Indirect emissions from electricity purchased and used by the organisation. Scope 3: Other Indirect emissions from activities of the organisation, occurring from sources that they do not own or control. These are usually the greatest share of the carbon footprint, covering emissions associated with business travel, procurement, waste and water. www.compareyourfootprint.com

05

Opposing proposed corporate activity

COMPANY:
PHILIP MORRIS INTERNATIONAL

REGION:
GLOBAL

ACTION:
LETTER

OUTCOME:
POSITIVE

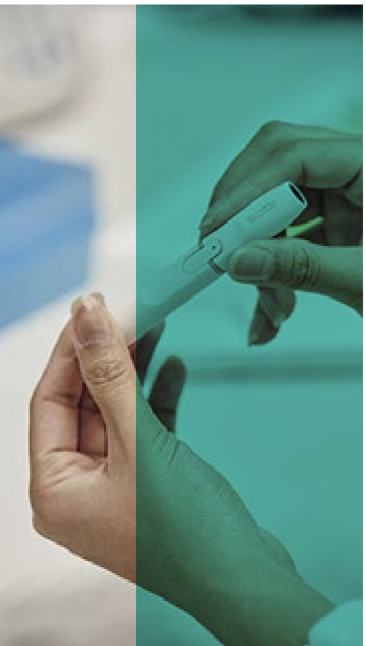
PHILIP MORRIS INTERNATIONAL (PMI) is a leading global tobacco company with a significant first mover advantage in heated tobacco, with its IQOS product. In 2008, Altria spun off PMI, creating standalone US (Altria) and international ex-US (PMI) focused companies. The motivation at the time was to insulate the international business from US litigation and regulatory risk.

In late August 2019, market rumours strongly suggested that PMI was in talks to re-merge with Altria, with both companies subsequently confirming that they were in formal merger discussions. PMI's stock fell sharply over this period.

Action

Coronation, which holds shares in PMI on behalf of our clients, was opposed to the recombination with Altria on the proposed terms and wrote to the Board to express our negative views, namely:

- Our view that PMI's stand-alone prospects were favourable, and we didn't feel that it needed to merge with Altria, as there were already ample opportunities outside of the US to continue to convert adult smokers to its smoke-free alternatives;
- US tobacco market fundamentals had deteriorated, with volume declines accelerating, partly due to the fast uptake of alternative sources of nicotine such as e-vapour;
- Risks surrounding Altria's stake in JUUL Labs Inc., an e-cigarette company, and the broader e-vapour category;
- Uncertain prospects for IQOS in the US. We had been impressed with the success PMI had achieved with IQOS, but not every market had been equally successful and to premise a merger on the prospects for IQOS in the US was unwarranted in our view, given the information in the public domain;
- Heightened levels of regulatory uncertainty. In July 2017 the US Federal Drug Administration unveiled a comprehensive plan for tobacco and nicotine regulation, with specific proposals to ban menthol cigarettes and regulate nicotine levels in cigarettes to non-addictive levels. These proposals had significantly raised the risk premium that investors demanded for US-exposed tobacco companies; and
- PMI shareholders could already purchase Altria stock directly. Combining the companies would only unlock relatively modest financial synergies and these were not grounds for a merger, in our view.



We therefore felt that the terms of a merger-of-equals was overly generous to Altria shareholders at the expense of PMI shareholders.

Outcome

The merger discussions were called off and PMI stock recovered its losses. It is clear we were not the only shareholders to feel this way and the companies ultimately terminated merger discussions. It was evident from various sources that negative shareholder sentiment towards the deal was a key consideration for PMI in terminating the merger discussions, as evidenced in some analyses and news excerpts below.

The deal *'received a chilly reception from investors'. "It is evident that significant investor pushback and the reality of holding a larger presence in the U.S. market fraught with risk around the FDA and weak volumes lead to the decision," analysts at Stifel wrote in a note to investors shortly after the news was announced."*[1]

"So far, we haven't spoken to one [PMI] shareholder who supports it," analysts at Citigroup noted on Wednesday. "We are unconvinced of the benefits of combining," they added.[2]

The PMI CEO was quoted in the media as having said *"Our investors were not very...supportive and we have to take this into consideration".*[3]

[1] www.cnbc.com/2019/09/25/philip-morris-and-altria-end-merger-talks.html
[2] www.ft.com/content/bf8b3fd4-c905-11e9-a1f4-3669401ba76f
[3] www.cnbc.com/2019/09/26/cnbc-exclusive-cnbc-transcript-philip-morris-international-ceo-andre-calantzopoulos-speaks-with-cnbcs-david-faber-today.html

06

Addressing structural and accounting concerns for an industry

COMPANY:
SOUTH AFRICAN REAL ESTATE INVESTMENT TRUST ASSOCIATION

COUNTRY:
SOUTH AFRICA

ACTION:
MEETINGS, LETTERS

OUTCOME:
POSITIVE AND ONGOING

FOLLOWING PRESSURE ON the performance of listed real estate investment trusts (REITs), representatives of the South African REIT Association embarked on an engagement circuit with various institutional investors to better understand their concerns. The delegation included CEOs from Growthpoint, Redefine and Vukile property funds. The following key issues were discussed:

1. The sustainability of distributable earnings policies

Currently, REITs distribute all their income and do not depreciate their assets. This leaves them with very little operational cash to properly maintain their assets, and, as such, REITs typically borrow funds for this purpose. Under more prosperous economic circumstances, the impact of this additional borrowing on their balance sheet would have been offset by increasing asset values, allowing them to maintain prudent levels of balance sheet gearing.

Action

Given the current tough economic environment, property asset values have not been increasing and as such, Coronation recommended that the practice of distributing all operational cash flows requires a review.

2. Disclosure on offshore acquisitions

Disclosure practices around offshore acquisitions, which many REITs have made in recent years, also differs quite significantly across the sector. This makes it difficult for investors to assess the underlying risks.

Action

Coronation recommended that disclosure practices need to be standardised across the sector, to promote ease of understanding and comparability. This is not dissimilar to measures which have been taken in other jurisdictions.

3. Inconsistent accounting treatment

We questioned the disparity in the accounting and distributable income treatment of the Edcon investment made by various landlords.

Action

We put forward the firm view that these investments should have reduced distributable income.

Outcome

We believe that some good progress has been made towards adopting some of our recommendations. We have seen certain property companies reduce the percentage of earnings which they pay as dividends, and hence retain operational cash flow to support maintenance spend on their assets. In addition, we have seen a revised best-practice note published by the South African REIT Association, which will hopefully improve the quality of earnings disclosure going forward.

We believe that some good progress has been made towards adopting some of our recommendations.

07 Addressing financial and leadership challenges

COMPANY:
ESKOM

COUNTRY:
SOUTH AFRICA

ACTION:
IN-PERSON MEETINGS, LETTERS

OUTCOME:
ONGOING

SOUTH AFRICA'S STATE-OWNED electricity provider, Eskom remains a complex entity for many reasons. Financially, it remains crippled by many years of debt issuance while not being able to produce the returns required to service that debt. Tariffs increases have not been enough, and demand has continued to fall. In addition, spending on the behemoth Medupi and Kusile power stations has continued to put pressure on their balance sheet. The entity has also struggled to secure a stable and reliable board and management team, and economy-crippling load shedding continues to be the product of an ageing fleet.

Action

While we do not hold Eskom debt, we continue to engage with the entity wherever possible. During the year we met with several members of the leadership team, including the CFO, the Treasurer, and a representative from the Generation Unit to discuss some of their challenges, and the steps that could be taken to address these. One of the key topics of discussion was the maintenance backlog and whether a 'proactive' load shedding programme may be the best way forward. Primary energy cost is also a concern and as such, details around working with coal partners and investing in existing cost-plus mines are some of the small steps that can be taken to address this going forward. But most importantly, government needs to address the restructuring of Eskom for the entity to move forward in a financially viable manner.

Outcome

Eskom's challenges are complex. We will, however, continue to engage with the entity wherever possible and highlight investor concerns together with what action we would need to see taken in order to alleviate these. We have written numerous articles on our view regarding Eskom during the year and can be accessed via our website.

08

Addressing the independence of the chairperson

COMPANY:
REDEFINE

COUNTRY:
SOUTH AFRICA

ACTION:
IN-PERSON MEETINGS, LETTERS TO THE BOARD

OUTCOME:
POSITIVE

REDEFINE IS A leading South African-based Real Estate Investment Trust. After the appointment of then-CFO, as CEO in 2014, the founder of the company and original CEO, moved into the Executive Chairperson role on the board. The King IV Code on Corporate Governance recommends that a Chairperson be independent and non-executive, and the condition for independence for a former employee are a cooling off period of three years, among other criteria. On this basis, we engaged with Redefine.

Action

Although the global precedent has been set for the appointment of an executive Chairperson, within the South African investment environment there are few examples of this being implemented. As shareholders, we initially valued the input that the previous CEO could still provide on Board level to Redefine. However, besides not being corporate governance best practice, post his appointment we concluded that the Board and the Executive Management Team would be more effective with an independent non-executive Chairperson on the board.

At the time shareholders had to vote for an amended memorandum of incorporation, we noticed that only non-executive directors were proposed for rotation. With our intervention, the company amended the resolutions to ensure that shareholders are able to vote on the appointment of both executive and non-executive directors.

Post this amendment, we annually engaged with the company on the merits of appointing an independent non-executive Chairperson to the Board and our intention to vote against the reappointment.

Outcome

Our interactions and concerns contributed towards Redefine indicating that they would appoint an independent non-executive Chairperson. Although finding an appropriate candidate took longer than anticipated, an independent non-executive Chairperson was appointed in May 2019. We have subsequently held engagements to better understand his outlook and intentions in the new role.

09

Promoting better capital allocation and unlocking shareholder value

COMPANY:
KB FINANCIAL GROUP

COUNTRY:
SOUTH KOREA

ACTION:
LETTER TO THE BOARD

OUTCOME:
POSITIVE

KB FINANCIAL GROUP is a leading South Korean financial services group that offers a range of financial products and services via its subsidiary companies. These include retail and corporate banking, investments and securities, trading and life insurance.

Coronation had been a shareholder for over two years and were pleased by the returns being generated by the non-banking subsidiaries, which were exceeding those of the core banking business. However, we eventually became concerned by the quantum of surplus capital the group had on its balance sheet. This is due to the fact that only a quarter of the annual return on equity was being paid as dividends, causing capital to accumulate. Management had referenced the possibility of using the surplus for an acquisition.

We were concerned that any acquisition made would be value destructive. The share traded at a substantial discount to book value, so issuing shares for an acquisition was a far inferior choice to returning capital to shareholders. By our calculations buying back (and cancelling) shares, with the discount to book value at which they traded and the return on equity the group generates, would be highly accretive to earnings.

Action

We wrote a letter to the Board expressing our concern over an acquisition and recommending a buyback programme.

Outcome

The Board responded that our concerns were shared by many other investors and that they intended to increase capital return via buybacks and dividends at the margin.

Subsequent to our letter, the Board requested permission for a KRW500bn buyback from the Financial Supervisory Service, but only KRW100bn was granted. This is equivalent to 1% of its market capitalisation in March 2020. The Board also increased the dividend payout ratio marginally, from 24.8% to 26.2%. +

Working together

We believe in proactively participating in shaping an operating environment that supports protection of the long-term interests of asset owners and promote collaboration in support of a sustainable and diverse investment industry serving the best interests of the societies that we are a part of.

WE ARE KEY contributors to the activities of the Association of Savings and Investments South Africa (ASISA) whose role is to ensure the sustainability and relevance of the investment industry for the benefit of the country and its citizens. As such, 31 of our team members serve on seven technical board committees as well as 42 standing committees and working groups. Our Chief Executive Officer is a member of ASISA's main Board and Executive Committee. Through ASISA and its relationship with Business Unity South Africa, our membership of Business Leadership South Africa, the CEO Initiative and, when required, through direct engagement with regulators and government, we aim to contribute to an investment environment that is sustainable and supportive of our clients' long-term interests. To enable us to better serve the interests of our international clients and to ensure that we remain abreast of global developments and best practice, we are also a member of ICI Global.

Recent initiatives and engagements included:

Managing emerging systemic risks during the Covid-19 crisis

During the peak of the crisis period in March 2020, we engaged with National Treasury, the South African Reserve Bank and the Financial Sector Conduct Authority to assist in ensuring that domestic financial markets remained functional. We initiated a process to enhance the regulatory infrastructure governing potential liquidity constraints in the local collective investments industry, which led to the creation of a new regulatory instrument enabling funds to prioritise the payment of contractual obligations such as regular retirement income payments in the case of future episodes of market distress.

Diversity and transformation

We participate through ASISA's Enterprise and Supplier Development Fund in an independent financial adviser programme aimed at providing internships to black graduates to equip black-owned financial advisory businesses with the skills, and in some cases, the funding, to grow their businesses. Since 2016, this programme created work opportunities for 146 graduates and assisted the development of more than 120 independent advisory businesses. Through the Coronation Business Support Programme, we have allocated more than R300m in brokerage to emerging black stockbrokers since 2006.

Industry integrity, consistency and transparency

We actively participated in the creation of a world-first comprehensive industry-wide total cost of ownership disclosure standard for the retail investment market, providing consistent and standardised cost disclosure across the investment management, administration and advice components of the value chain. During 2019, this approach was also adopted in the pension fund market, initially at total fund level and from 2021, also at individual member level.

Infrastructure development funding

We are participating in efforts to develop a policy and regulatory environment in South Africa that could facilitate investment by pension funds and other long-term investors into commercially viable infrastructure investments. If the obstacles to infrastructure investment can be properly addressed, then these investments have the potential to provide good risk-adjusted returns to investors alongside additional social and economic benefits for the country.

Through the Coronation Business Support Programme, we have allocated more than R300m in brokerage to emerging black stockbrokers since 2006.

Industry collaboration

The majority of our regulatory interaction is with the South African Financial Sector Conduct Authority (FSCA), and more recently the South African Prudential Authority, either directly or through our involvement with the Association for Savings and Investment South Africa (ASISA). We are committed to playing an active role in shaping the South African financial services industry by working with industry partners and the FSCA.

The Association for Savings and Investment South Africa

Member and participant on boards and working groups

ASISA plays a significant role in the development of the social, economic and regulatory framework in which its members operate. Members include financial services companies that provide products and services to the personal investment sector. ASISA is the primary channel through which Coronation engages with policymakers and regulators, and employees participate in several Board committees, standing committees and working groups.

South Africa's CEO Initiative

Member

Coronation is a member of South Africa's CEO Initiative, a group of CEOs working with government and labour to resolve the social and economic challenges facing South Africa. Its main strategic objectives include promoting inclusive growth and protecting and strengthening South Africa's core institutions.

Task Force on Climate-related Financial Disclosure

Member

The TCFD was established by the Financial Stability Board to develop voluntary, consistent climate-related financial disclosures by companies in order to provide useful decision-making information to investors, lenders, insurers and other stakeholders.

The Investment Company Institute

We are a member of the Investment Company Institute (ICI), the leading association representing regulated funds globally, including mutual funds, exchange-traded funds, closed-end funds, and unit investment trusts in the United States, and similar funds offered to investors in jurisdictions worldwide. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. As at 1 June 2019, ICI's members manage total assets of US$23.1 trillion in the United States, serving more than 100 million US shareholders, and US$6.9 trillion in assets in other jurisdictions. ICI carries out its international work through ICI Global, with offices in London, Hong Kong, and Washington, DC.

Principles for Responsible Investment

Signatory

The PRI is the world's leading proponent of responsible investment. It works to understand the investment implications of ESG factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. We partnered with the PRI in arranging a Principal Officer Breakfast with the educational goal of discussing ESG integration and Responsible Investing. The agenda included Climate Change, Just Transition and the Sustainable Development Goals.

Climate Action 100+

Signatory

The Climate Action 100+ coalition aims to engage and work with companies and industry members to communicate the need for greater disclosure around climate change risk and for the alignment of company strategies with the Paris Agreement.

Code for Responsible Investing in South Africa

Coronation participated in the process of establishing CRISA and fully supports the five principles, which stress the importance of integrating sustainability issues, including ESG, into long-term investment strategies and provide guidance on how institutional investors should execute investment analysis, investment activities and exercise rights so as to promote sound governance.

Business Leadership South Africa (BLSA)

Member

Business Leadership South Africa (BLSA) is an independent association whose members include the leaders of some of South Africa's largest businesses. Its main strategic objectives include promoting inclusive growth and protecting and strengthening South Africa's core institutions. Coronation has committed itself to BLSA's integrity pledge, which is a public declaration of our commitment to combat corrupt practices by, inter alia, not acting anti-competitively and by protecting the anonymity of whistle blowers.

Thinking Ahead Institute

Member and working group participants

We are members and active participants in the Thinking Ahead Institute, a global not-for-profit research and innovation hub, connecting members from around the investment world to harness the power of collective thought leadership. The objective of the Thinking Ahead Institute is to influence change in the investment world for the better by improving the provision of savings.

Since its establishment in 2015, over [60] investment organisations have collaborated to bring this vision to light through designing fit-for-purpose investment strategies, better organisational effectiveness and strengthened stakeholder legitimacy. During 2019, we participated in various working groups and summits including the Sustainable Investing Seminar, the Sustainability Impact Working Group and the Value Creation Working Group.

The UK Stewardship Code

We support the UK Stewardship Code, which seeks to enhance the quality of engagement between investors and companies to help improve long-term risk-adjusted returns to shareholders.

International Corporate Governance Network

Member

The International Corporate Governance Network (ICGN) is a global organization aiming to raise standards of corporate governance worldwide. Membership includes investors responsible for assets under management in excess of US$34 trillion from more than 45 countries.

Irish Funds Industry Association (Irish Funds)

Member

The objective of Irish Funds is to support, complement and develop the funds industry in Ireland. It represents the industry in discussions with Government, its departments/agencies and the Central Bank of Ireland to ensure that the environment and infrastructure available can support the continued development and growth of the industry. We participate in the Asset Manager forum.

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