



CORPORATE ACTIVITY, SHAREHOLDER ACTIVISM AND CORPORATE GOVERNANCE POLICY

INTRODUCTION

Coronation is committed to the principles of good corporate governance and has a fiduciary duty to its clients to ensure, as far as possible, that the companies in which it invests on behalf of its clients are also committed to adhering to these same principles.

Coronation must determine whether the long-term interests of its clients would be best served by avoiding positions in companies that are considered to be poorly governed, or to become more actively involved in the company through discussions with its board of directors, making its views public, exercising its proxy voting right or through any other means in order to enhance shareholder value.

It is not Coronation's intention to become involved in the management of the company's operations and potential Conflicts of Interest or perceived Conflicts of Interest must be avoided at all costs.

This policy is divided into three components namely:

- Proxy Voting Guidelines
- Corporate Governance Recommendations
- The Investment Mandate

PROXY VOTING GUIDELINES

In the interests of improved corporate governance and participation in this process, Coronation is in accordance with the guidelines set out below, to consider and vote on all proxies for all companies in which Coronation holds shares on behalf of its clients.

While this policy serves as a guideline, Coronation's fiduciary duty to the beneficial owners requires it to examine each resolution offered and the context in which it applies. Therefore, in voting the clients' beneficial holdings, Coronation is required to consider, on a case-by-case basis, those factors that are in the best interest of the Client and may affect the value of the Clients' investments which it manages. For this reason, there may be instances in which shares may not be voted in strict adherence to these guidelines. Any decision to vote against management or abstain should be followed up by a letter or telephone call to management explaining the reasons for doing so.



Unusual or contentious issues such as hostile takeovers or proposals not considered to be in the interests of shareholders must be discussed with the Coronation Chief Investment Officer and other senior investment managers. In addition, Client and regulatory specific reporting requirements must be adhered to.

Applicability

Coronation should vote on any share in any of Coronation's portfolios.

General

Coronation will vote at shareholder meetings according to the guidelines set out hereunder.

- Except in certain exceptional circumstances, Coronation's votes, on behalf of its Clients, should not be committed in advance and unconditionally to third parties and must not be placed in voting pools that bind the clients to predetermined voting positions or obliges the clients to follow the "common" consensus in voting.
- Under any arrangements pertaining to securities lending, any voting rights attached to securities that have been lent out will have been lost. In such circumstances the client reserves the right to request the recall of such securities should it wish to exercise its voting rights, provided that such request is given timeously to Coronation in writing.
- If Coronation requires its Clients to consider the question of voting, sufficient information and clear motivation of Coronation's voting proposal will be timeously provided to the respective Clients.
- Coronation will not abstain from proxy voting in respect of companies related to the Coronation group, as this may not necessarily be in the best interests of its Clients. The proxy voting decision must be arrived at through the normal procedures documented below and must not be influenced in any way by either management or directors of Coronation. To avoid any perceived conflicts of interest, non-investment team management and all Coronation group directors are prohibited from discussing the matter with the investment team members tasked with arriving at the proxy voting decision.

Annual General Meetings

Board Composition and directorship

- **Independent directors (as defined in King III)**
Board membership should comprise a balance of executive, independent and non- executive



directors (with a majority to be preferably independent nonexecutive) who have broad experience and are in a position to act independently. Coronation supports resolutions that lead to this.

- **Separate Chief Executive Officer and Chairman**

Coronation generally supports the election of an independent non-executive Chairman so that the Board represents the interests of shareholders, rather than executive management, and clearly expects listed companies to adhere to the JSE Securities Exchange listing requirements in this regard.

- **Re-election of directors**

Generally, Coronation should consider opposing resolutions that re-elect a number of directors' en-bloc, in favour of re-elections/appointments on an individual basis.

Share Capital

- **General authority to place unissued shares under the control of the directors**

Generally, Coronation should consider opposing resolutions that place unissued shares under the control of the directors, particularly if there was a risk of further issues diluting existing shareholders' value. Any such actions should rather be specifically motivated to shareholders through calling a general meeting as and when required.

- **General authority for the directors to issue shares for cash**

Generally, Coronation should consider opposing resolutions that provide directors with the authority to issue shares for cash, as further issues could dilute existing shareholders' value. Coronation prefers a separate resolution at the time of any further issue with the appropriate motivation provided by management, rather than providing management with a general control over the unissued shares.

- **Authority to repurchase shares**

Generally, Coronation should support share repurchases which enhance shareholder value.

Corporate Actions

Share Capital

- **Dual Capitalisation, Preferential Voting Rights**

Coronation should consider opposing proposals to divide share capital into two or more



classes or to otherwise create classes with unequal voting. The effect of these proposals, over time, is to consolidate voting power in the hands of relatively few insiders disproportionate to their percentage ownership of the company's share capital as a whole.

- **Repricing or issuing of options at a discount**

Coronation should consider opposing proposals that allow for the repricing or issuing of options at a discount. However, repricing certain share options may align the interests of management and shareholders and there may be instances in which shares may not be voted in strict adherence to this guideline.

CORPORATE GOVERNANCE RECOMMENDATIONS

Directors

- **Election/re-election of directors**

With respect to the election/re-election of directors, Coronation should consider the:

- effectiveness of the board as a whole;
- relevant experience of new directors proposed; and
- past attendance record of directors.

- **Representation on the Boards of Listed Companies**

Coronation believes that it should preserve the independence and flexibility of its investment team and process. Therefore representation on the boards of other companies is not encouraged and will only be considered in exceptional circumstances. Prior approval must be obtained from the Chief Investment Officer, Chief Executive Officer and the Compliance Officer.

The following types of board representation will be considered:

- Where it is of a short-term nature in order to achieve a certain objective, which is considered to be in the best interests of Coronation's Clients.
- Where an employee is invited to sit on the board of a company that Coronation would not normally analyse or invest in and there is no potential conflict of interest.
- Where an employee sits on the board of a small business (perhaps family business) that the employee is involved in, and where the employee has made prior disclosure of their involvement in the business, to which EXCO has given its approval.



- Should circumstances require Coronation to be represented on a board, the individual will be declared an “insider” within Coronation. This will involve an internal announcement to the effect that he/she is prohibited from talking about the company, being involved in any discussions.

Remuneration

Levels of remuneration should attract, retain and incentivise directors. Given that remuneration has implications for corporate performance and shareholder returns, this is an area in which shareholders have a valid role to play in approving remuneration policies that have been set by formal and independent procedures.

Items Coronation should consider are:

- detailed disclosure (in line with the JSE listing requirements as a minimum) of director and employee compensation, particularly where the company does not have a majority independent board;
- the independence of the Remuneration Committee and its recommendations;
- Whether compensation is reasonable, especially with respect to:
 - the total compensation to CEOs per annum;
 - "Golden parachutes" for early termination of service' or if triggered by a takeover; and
 - executive severance pay.

Appointment of auditors

The audit process must be objective, rigorous and independent to maintain the confidence of the market. Coronation should consider any issues that may have compromised the audit firm's independence and objectivity with respect to the company over the previous year.

Empowerment

Coronation should encourage development of an employment equity plan and reporting on empowerment with specific focus on:

- Shareholders;
- Board of Directors;
- Executive and senior management;
- Staff/labour force;
- Suppliers/Contractors.



INVESTMENT MANDATE

Coronation will be averse to investing in companies that do not have a sound track record when it comes to Environmental Social and Governance issues. As part of the investment process, Coronation will consider carefully a company's performance when it comes to "triple bottom line" reporting before deciding to invest. Once invested, this monitoring process should be conducted on a regular basis.

ANNUAL DISCLOSURE

The holding of any non-Coronation group directorships must be included in every staff member's annual declaration together with any personal shareholdings.