



ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

1. BACKGROUND

1.1 Purpose & Scope of the Policy

Coronation's Environmental, Social and Governance (ESG) Policy outlines our position as a responsible investor with a long-term focus. The Policy sets out the guiding principles behind our approach to ESG incorporation and the processes that are in place to ensure effective implementation. The Policy applies across our global investment universe and must be adhered to by all investment staff.

1.2 Approach & Beliefs

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 analyze each investment's ability to create, sustain and protect value with the goal of generating superior risk-adjusted returns in line with our clients' objectives.

Coronation does not apply a "box ticking" approach to ESG implementation, nor do we believe in a "one size fits all model".

We believe that ESG factors play an important role in assessing the long-term sustainability and value of investments. In addition, we believe that the integration of ESG factors into our investment process is a crucial component and will ultimately lead to increased value and lower risk for client portfolios. We therefore fully integrate ESG factors into our investment processes, stewardship practices and into the management the Coronation group in a manner which we believe is aligned with our investment strategy, our values, the interests of our clients and stakeholders.

As long-term investors, it has always been an important part of our investment process to fully factor in the impact of environmental and social issues, and to ensure that the companies we are invested in maintain high standards of corporate governance. We believe companies cannot achieve sustainable economic success while neglecting their social and environmental responsibilities. Social responsibility has the potential to increase the quality of a company's earnings stream and consequently its long-term investment potential. In our view, ESG issues form an intrinsic part of any investment case.

1.3 Guiding Principles and Codes

Coronation supports the following principles and codes for responsible investment that we believe are aligned with our ESG Policy and long-term investment approach:

- Coronation is a signatory to the United Nations supported Principles for Responsible Investment (PRI), a framework for achieving better long-term investment returns and more sustainable markets.
- Coronation was part of the process of creating the South African Code for Responsible Investing (CRISA). Coronation fully supports the principles set out in CRISA, which stresses the importance of integrating sustainability issues, including ESG, into long-term investment strategies and gives guidance on how institutional investors should execute investment analysis, investment activities and exercise rights so as to promote sound governance.



- ▶ We are also supporters of 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.

Please see the APPENDIX for further information on how we apply the above principles and codes.

2. POLICY

ESG INCORPORATION

2.1 Overview

Our research analysts have always considered ESG factors as an integral part of the investment research and valuation process. We also have a long history of engaging as an active shareholder on principles of good corporate governance. Our investment philosophy and approach has remained unchanged since Coronation was founded in 1993.

Given the differing nature of companies' underlying business models, our approach is for our research analysts to treat ESG issues on an individual case-by-case basis. We focus on the material ESG issues that are considered likely to affect stakeholders, as this will ultimately have an impact on corporate performance and investment performance. The investment team comprises a large and experienced group of professionals with a deep knowledge of industries, asset classes across multiple geographies and associated material ESG risks and opportunities. In considering ESG factors, we recognize the importance of focusing our attention and time on those ESG issues that can have the most meaningful impact on a company's long-term prospects. Accordingly, a significant amount of time is spent studying the corporate governance of the companies we invest in. Corporate governance lies squarely within the circle of competence of any institutional investor, and includes capital allocation, remuneration policies and empowerment deals (in the South African context). We favour transparency and comprehensive reporting as this provides the information basis to assess whether a company adheres to high standards of corporate governance and integrates ESG considerations.

The environmental and social pillars are more complex, subjective and prone to differing approaches from subject matter experts. Social objectives vary significantly between investors around the world and issues are often fraught with ambiguity. In addition, each business will face its own unique set of environmental and social circumstances. While we systematically review and investigate the potential significance of environmental and social issues, we are cautious to make definitive rulings on complex issues. Our focus centers around areas related to climate change and resource scarcity (e.g. carbon emissions, water usage, energy efficiency, waste management, general environmental impact); social controversies, health and safety standards, matters relating to labour policies and practices; approach to data security and privacy and in countries like South Africa, the company's approach to and status of Black economic Empowerment.

As part of our investment decision-making process, Coronation will weigh up whether the benefits to our clients will be best served by avoiding companies that are poorly governed or that have shortcomings in the environmental or social pillars. We will also evaluate whether we can influence such companies to improve by active involvement through discussions with investee company management, by exercising our voting rights (on behalf of our funds and clients) or through other means of enhancing shareholder value. Coronation will always exercise caution to ensure that in adopting this approach, we do so in a manner which is constructive to the long term value of the business, and avoids conflicts of interest, such as becoming involved in the management of those investee companies.

We employ the following to ensure the ESG factors are integrated within our investment methodology and within our corporate culture:



2.2 Investment process

Coronation has a single investment philosophy which applies across all strategies and products and is deeply ingrained within the entire Coronation investment team, namely, that of being a long-term, valuation-driven investment house. The long-term nature of the investment philosophy requires us to incorporate ESG and sustainability issues into our investment process and in every investment decision that we make as we need to account for these factors in trying to understand a business' long-term worth.

Coronation explicitly integrates ESG factors in the rating and valuation of the relevant investment. We prefer this approach to assigning a specific ranking to companies comparing their relative ESG merit. We make use of sector or asset-class specific guidelines to ensure that the assessment at each company level is appropriate. This is because in our experience the cost of failure to apply appropriate standards of ESG only become evident in the long term. All our research analysts' coverage reports on companies include an assessment of ESG factors. All investment professionals are required to consider ESG factors in the valuation process and are therefore responsible for ensuring that the ESG considerations relevant to a particular company are included in their long-term valuation of a company. Analysts are required to provide a summary of the main ESG issues, discuss their materiality to the investment case and provide their view on how these factors impact the overall valuation of the business.

As we rigorously apply our investment methodology of (i) valuing stocks on long-term sustainable earnings, and assigning a fair price-to-earnings (P/E) multiple to those earnings or (ii) for debt securities, assessing the impact on issuer cash-flows and ability to repay debt, ESG will be both implicit and explicit in every investment decision that Coronation makes. We will accordingly produce sound quantitative and qualitative analysis of all significant exposure to ESG issues as part of each investment case. All ESG issues that were considered during the valuation process are documented within the particular company's valuation. The Head of Equity Research, Chief Investment Officer (CIO) and lead portfolio managers oversee ESG integration in the investment process.

Given our single investment philosophy which is consistently applied to all of our products and strategies managed by Coronation, this policy applies across all such strategies.

2.3 Screening

Coronation will not explicitly screen out any shares due to ESG factors, instead we may require a greater risk-adjusted upside or a higher yield before investing in relation to companies with a higher ESG risk profile. The only exception would be where we are concerned about a significant lack of corporate governance in a potential investee company and where, in Coronation's view, it is unlikely that we would be able to influence management of the potential investee company to improve their corporate governance to the extent required.

We will also, depending on the circumstances, take instructions from segregated account mandate clients to exclude from their mandate's investible universe certain companies that they object to on environmental or social grounds.

2.4 Engagement with investee companies

Coronation is an active shareholder and we will engage with company management and Boards in executing our fiduciary responsibilities, including through calls, in-person meetings, letters and written statements expressing our views. When there are specific concerns, our first approach is to engage with management to deal with the respective issues. If this fails to deliver the appropriate action, we then escalate the issue to the Board. Where appropriate, we also engage with like-minded shareholders to drive a more successful and coherent engagement with the company. If these actions still do not result in the desired outcome, we will take the appropriate steps at either the AGM or call a special meeting to highlight our grievances and make necessary recommendations. If our best efforts are unsuccessful, then we will re-assess our investment case and valuation and take the appropriate investment action in our portfolios.



We will engage on any aspect of E, S or G, as required, with the ultimate intention of driving the change we believe will be most beneficial for shareholders in the long run.

Our engagement process focusses on the most material issues that a company must address and can be broken down into two main categories:

- ▶ Environmental and Social issues that are unresolved and that can have a material financial impact on the investment case: examples of this would be pending new carbon tax legislation, outstanding legal claims relating to health and safety risks and changing environmental regulations. These engagements allow us to quantify the impact of uncertain variables on our valuation and understand management's actions and plans to mitigate these effects. This assists in making informed investment decisions.
- ▶ Governance issues: this will commonly involve discussions relating to capital allocation strategy, the composition of the Board in terms of skills and diversity, and the adequacy of key performance indicators and targets in setting the remuneration policy for senior management as well as the range of the potential outcomes. In addition, as investors with a long-term time horizon, we think it is important to understand what companies are doing to protect the sustainability of their business and the environment in which they operate. Our engagement process involves discussions on several topics including, but not limited to, waste management, health and safety processes and labour relations. This helps us to assess whether the company has a coherent strategy to deal with the environmental and social impact that its everyday operations have. A company's awareness of these affairs and a willingness to address them in a formal, well-governed and pro-active manner indicates that the business is committed to being a good corporate citizen and protecting its sustainable long-term value.

We will therefore consistently engage on a number of ESG issues throughout the year, not only at the time of particular corporate events, so that the company has sufficient time to address such concerns before any formal voting occurs. Our overriding principle is that constructive pre-emptive engagement and rectification is a far preferable outcome for all stakeholders than formulaic voting at general meetings.

As an active shareholder and through the process of engagement we believe that we can raise the overall awareness levels of companies to the importance of ESG reporting. This is to the benefit of all stakeholders. It also aids and assists the voting process as information required to justify voting decisions will be easily accessible for all shareholders. Where companies we engage with fail to improve their standard of disclosure, or adequately address the concerns we have raised, we will exercise our rights of ownership at the AGM in an appropriate manner to drive the required change.

2.5 Voting

Coronation is authorized to exercise voting rights in respect of the holdings of all Coronation funds and for segregated account mandates (separately managed) where clients have specifically authorized Coronation to vote their holdings on their behalf. Coronation is an active shareholder and applies its Proxy Voting Policy which requires us to vote on resolutions for all international and domestic holdings, regardless of the size of these holdings.

The Proxy Voting Policy must be read in conjunction with this Policy and imposes the obligation to examine each resolution offered in the context in which it applies. The Coronation voting guidelines and process are explained in our Proxy Voting Policy, available on our website and to all clients on request.

2.6 Engagement with other stakeholders

In addition to our support for leading principles and codes of responsible investment, Coronation is an active member of and participant in investment associations.



We take our memberships seriously and participate regularly at a policy level as well as on various sub-committees, in particular and in significant staff numbers with the Association for Savings and Investment South Africa (ASISA). We continue working towards ensuring ESG standards are improved and remain relevant in ultimately promoting positive long-term sustainable outcomes for all stakeholders. Where relevant, we will engage with legislative bodies and regulators to support effective public policies aimed at securing an inclusive and growing economy. Additional voluntary memberships include the CEO Initiative, Business Leadership South Africa (BLSA) and, internationally, the Investment Company Institute (ICI).

Coronation remains cognizant of industry initiatives to entrench ESG considerations and/or improve awareness of ESG factors and will ensure sufficient representation on appropriate forums driving such initiatives. Coronation will use its membership of industry bodies to ensure that wherever opportunities present themselves, it is able to participate in and/or collaborate on matters that will achieve the principles set out by the PRI, CRISA and the UK Stewardship Code across the industry. Membership of such industry bodies will also be used by Coronation, wherever reasonably possible, to assist in presenting a unified industry approach and response to regulators on any regulatory initiatives that impacts responsible investing.

Furthermore, Coronation periodically assists institutional clients in relation to responsible investing. Coronation often participates in annual surveys and questionnaires directed to us by our institutional clients which require our responses to questions assessing the extent to which we integrate ESG considerations into our investment process and business. This is used as an opportunity, where appropriate, to offer suggestions as to how responsible investing can be better achieved by the particular institutional client. In those instances where clients provide Coronation with their voting and proxy guidelines, Coronation will review these carefully and provide the clients with suggestions in instances where Coronation is of the view that such guidelines can be enhanced to better serve ESG considerations.

3. IMPLEMENTATION

3.1 Reporting

Coronation is committed to being transparent in its reporting of activities and implementation of this ESG Policy. We regularly report to clients on how we fulfil our responsibilities, in line with our status as a signatory to the PRI, and our support for CRISA and the UK Stewardship Code.

We keep a complete record of all ESG engagements in a comprehensive database. When requested by clients, Coronation will produce a presentation which covers all relevant ESG issues dealt with in a defined period. In addition, as a matter of course, we include an ESG section in all report back presentations to institutional clients. This allows us to provide feedback to clients about our ESG engagements in any given period, on an ad hoc or more formal periodic basis. We also disclose our complete voting record history on the Coronation website, which is updated on a quarterly basis. In addition, our Stewardship Report provides an annual summary of our engagement and voting activities.

3.2 Implementation of Policy

The Chief Investment Officer oversees the implementation of this ESG Policy in the investment process.



3.3 Ownership and Governance

The owner of this Policy in relation to the investment process, ownership policies and practices and the collaboration with investors and other stakeholders is the Chief Investment Officer. The Policy shall be reviewed by the Chief Investment Officer or designate at least annually and such review shall include input from representatives from the Institutional Business, Legal and Compliance teams. Post such annual review, the Policy shall be provided to the Group Board for final review and approval.



APPENDIX

Principles for Responsible Investment (PRI)

Principle 1. We will incorporate ESG issues into investment analysis and decision-making processes.

As described in sections [2.1](#) and [2.2](#), Coronation incorporates environmental, social and governance factors into investment analysis and decision-making.

Principle 2. We will be active owners and incorporate ESG issues into our ownership policies and practices.

Our engagement and voting policies are outlined in sections [2.4](#), [2.5](#) and [2.6](#).

Principle 3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Our approach to company engagement is explained in section [2.4](#).

Principle 4. We will promote acceptance and implementation of the Principles within the investment industry.

Details of our involvement and promotion of the six PRI principles within the investment community are outlined in section [2.6](#).

Principle 5. We will work together to enhance our effectiveness in implementing the Principles.

In section [2.6](#) we outline how we work in collaboration with the wider investment community to achieve the six PRI principles.

Principle 6. We will each report on our activities and progress towards implementing the Principles

Our approach to reporting is documented in section [3.1](#).

South African Code for Responsible Investing (CRISA):

Principle 1. An institutional investor should incorporate sustainability considerations, including environmental, social and governance, into its investment analysis and investment activities as part of the delivery of superior risk-adjusted returns to the ultimate beneficiaries.

As described in sections [2.1](#) and [2.2](#), Coronation incorporates environmental, social and governance factors into investment analysis and decision-making.

Principle 2. An institutional investor should demonstrate its acceptance of ownership responsibilities in its investment arrangements and investment activities

Our engagement and voting policies are outlined in sections [2.4](#), [2.5](#) and [2.6](#).

Principle 3. Where appropriate, institutional investors should consider a collaborative approach to promote acceptance and implementation of the principles of CRISA and other codes and standards applicable to institutional investors.

In section [2.6](#) we outline how we work in collaboration with the wider investment community to achieve good outcomes for investors.

Principle 4. An institutional investor should recognise the circumstances and relationships that hold a potential for conflicts of interest and should pro-actively manage these when they occur.

Coronation has a Conflict of Interest Management Policy for this purpose, which is available on our website.

Principle 5. Institutional investors should be transparent about the content of their policies, how the policies are implemented and how CRISA is applied to enable stakeholders to make informed assessments.

Our approach to company engagement is explained in section [2.4](#).

Our approach to reporting is documented in section [3.1](#).



UK Stewardship Code:

Principle 1. Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

Coronation's ESG Policy is available on our website.

Principle 2. Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.

Coronation's Conflict of Interest Management Policy is available on our website.

Principle 3. Institutional investors should monitor their investee companies.

Research analysts having coverage responsibility for a company engage in monitoring activities on an ongoing basis via various channels. Our engagement and voting policies are outlined in sections [2.4](#), [2.5](#) and [2.6](#). Our approach to company engagement is explained in section [2.4](#).

Principle 4. Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.

Our approach to how and when we escalate out stewardship activities can be found in section [2.4](#).

Principle 5. Institutional investors should be willing to act collectively with other investors where appropriate.

In section [2.6](#) we outline how we work in collaboration with the wider investment community to achieve good outcomes for investors.

Principle 6. Institutional investors should have a clear policy on voting and disclosure of voting activity.

Our engagement and voting policies are outlined in sections [2.4](#), [2.5](#) and [2.6](#).

Principle 7. Institutional investors should report periodically on their stewardship and voting activities.

Our approach to reporting is documented in section [3.1](#).

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| Policy | ESG Policy |
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