

“Our approach to ESG focuses on three key functions: integration, engagement and collaboration.”

## Sustainable investing

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

### Approach to responsible investment

Our Environmental, Social and Governance (ESG) Policy sets out the guiding principles behind our approach to responsible investment, the incorporation of ESG factors into our investment process and the measures 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.

Our approach to ESG-related activities focuses on three key functions: integration, engagement and collaboration.

### Integration

Given the specifics of their business models, each company is unique and faces its own challenges. Tying social impact directly to competitive advantage and economic performance is the most powerful way for companies to help address the world’s grave social challenges and go beyond traditional, siloed ESG thinking.

One of the most active challenges within ESG investment is identifying those issues which are genuinely material to a company’s ability to create value over time.

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

### Engagement

As a fundamental active manager who builds concentrated portfolios, we can commit significant resources to stewardship activities. Our large and experienced team maintains constructive relationships with the boards and

senior management teams of companies. We develop specific engagement strategies for each company, which are informed by our deep understanding of industries and asset classes across multiple geographies. Our dialogue is objectives-driven and continuous, influencing outcomes for the long term.

The benefit of this approach is that when we engage with investee companies, we have an informed dialogue about ESG disclosure and practices, monitoring corporate activities and exercising our ownership rights. This ensures the process is meaningful and encompasses the multi-faceted approach of balancing ESG elements rather than being a box-ticking exercise.

Given the focus on preserving and enhancing long-term value on behalf of asset owners, engagement can encompass the full range of issues that affect the long-term value of a business, including strategy, capital structure, operational performance and delivery, risk management, pay and corporate governance. ESG factors are clearly integral to this. Opportunities and challenges offered by ESG developments need to be reflected in the business’s strategic thinking. Equally, a full assessment of operational performance must encompass not only financials but also vital operational areas, highlighting the long-term health of the business such as the relations with the workforce; 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.

During the 2019 financial year, 289 formal engagements were held with investee company management teams, and we voted 99% of all proxies.

With regards to proxy voting on shareholder resolutions, wherever possible, Coronation will timeously raise its concerns with management to provide them with the opportunity to address any concerns before the vote.

## PROXY VOTE RECORDS

	2019	2018	2017	2016	2015	2014	2013
Number of resolutions	6 147	2 802	2 466	2 799	2 347	2 767	2 898
Voted in favour	5 473	2 541	2 332	2 643	2 223	2 606	2 702
Voted against	626	259	115	151	121	157	191
Abstained from voting	48	2	19	5	3	4	5

Source: Coronation SharePoint Databases: CAM Research, Africa and Frontier Markets (internal), Emerging Markets (Internal), Global Research (Internal)  
 Note: Voting records from 2018 and prior reflect South African-portfolio votes only; 2019 reflects our global vote complement

A full record of all proxy voting is available in the stewardship section of our website [www.coronation.com](http://www.coronation.com).

IN 2019

289

formal engagements

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proxies voted

### Collaboration

Stewardship and engagement are beneficial because they enhance shareholder value and support investors in the execution of their fiduciary duty. Stewardship and engagement encourage enhanced information flows between investors and investees, enhancing knowledge and building relationships. Developing these dynamics requires that investors go beyond the use of data derived from box-ticking.

We will collaborate with industry bodies and like-minded organisations to advocate better policies and promote a financial system that works in the interests of all stakeholders.

Collective engagement can give more traction to ESG issues within companies, adding weight and emphasis to concerns. There are a number of engagement vehicles, including the PRI Collaboration Platform which facilitates these coalitions.

In 2019, we released our first annual Stewardship Report, which disclosed our corporate engagements and proxy voting activity and provides insight into the nature of these engagements through case studies with both positive and negative outcomes.

## Key concerns

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 committed to deepening our understanding of ESG factors at both a company and a sector level.

Climate risk has catapulted to the top of the global agenda. We continue to encourage companies to measure, mitigate and disclose potential liabilities, supporting objectives to be aligned with the Paris Agreement. The Task Force on Climate-related Financial Disclosures provides a good framework for companies to assess their climate-related financial risks and opportunities, and it is flexible, which allows companies to evolve their assessments and reporting over time.

At a time of growing concern about unequal economic and financial systems it is key to manage both the positive and negative social and employment implications of climate action across the whole economy. South Africa’s National Development Plan 2030 prioritises job creation, the elimination of poverty, the reduction of inequality, as well as growing an inclusive economy by 2030. It has a strong convergence with the United Nation’s Sustainable Development Goals, the global agenda to address the world’s key challenges which guide on alignment with a desirable future.

New ESG issues are likely to emerge as additional risks become more prominent. We will continue to advocate strongly for a financial industry that better serves the needs of society, and we will continue to engage with companies to improve their ESG behaviours. In this way, we can help our clients invest better, retire better and create a better society for all.

