

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

## Sustainable investing

We report our approach to stewardship, the integration of environmental, social and governance (ESG) factors **into our investment process** and our voting and engagement activities annually, on a calendar year basis, in a separate Stewardship Report.

Below is an excerpt from our 2019 Stewardship Report. For more details, including our views on key ESG themes and our proxy voting and engagement records for the calendar year 2019, please read the full report, which is available on our website. For information on our corporate stewardship activities, please go to [page 20 of this report](#).

Coronation is signatory to multiple responsible investing codes, including the Principles for Responsible Investment (PRI) and the Code for Responsible Investing in South Africa (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.

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

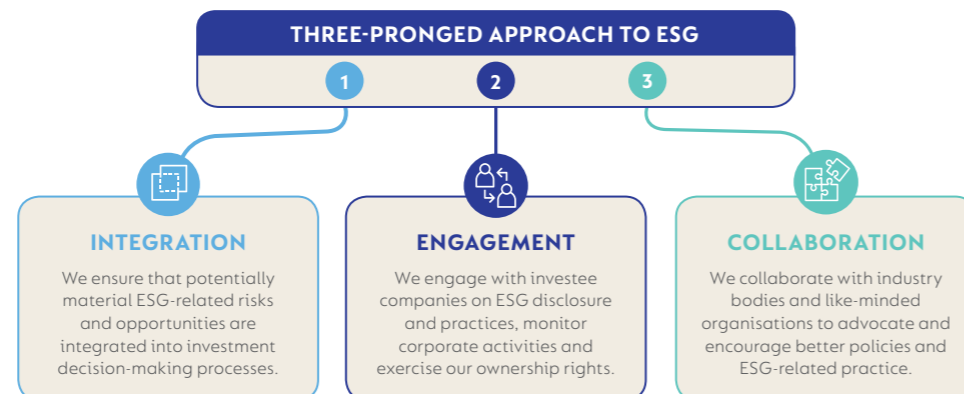
We believe that companies and organisations that manage ESG factors more effectively are more likely to endure over time and create sustainable value over the long term.

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 previously disadvantaged groupings and data privacy; and
- ▶ 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 in our investment process 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 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 the issues into to the public arena via the media.

### Proxy voting and engagement

During the 2020 financial year, 144 formal engagements were held with investee company management teams, and we voted 100% of all proxies.

### Firm-wide proxy voting summary

The following is a summary of our corporate action (voting and outcomes) for the period between 1 October 2019 and 30 September 2020.

Resolution	Votes
Abstained	39
Not supported	549
Supported	5 796
Number of resolutions	6 384

In addition to our Stewardship Report, all proxy voting results are available in the stewardship section of our website: [www.coronation.com](http://www.coronation.com). For details on our approach to managing environmental considerations in our business operations, [refer to page 21](#).

### Climate change

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-intensive economy and, as such, is a significant contributor to global carbon emissions.

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.

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.

### Industry engagement

Coronation is signatory to 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 participated as a collaborating investor on both Sasol and Eskom.

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 its 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.

To read more about our stance on how we approach key ESG-related themes in our investment process, please refer to our Stewardship Report on [www.coronation.com](http://www.coronation.com).

IN 2020  
**144**  
formal engagements

**100%**  
proxies voted