



CORONATION

TRUST IS EARNED™

Stewardship Highlights

2020



Overview



2020 will go down as the year in which environmental, social and governance (ESG) matters came into focus for the investment industry. Stewardship and sustainable investment practices are now mainstream requirements in the global financial services sector. It is no longer sufficient for investment managers to solely consider the two dimensions of risk and return. The consideration of the impact that companies have on their external environment has become a key factor in the investment decision-making and engagement processes.

For us at Coronation, this is nothing new, as the imperative to act as responsible stewards of our clients' capital has long been part of our investment DNA.

This report provides a summary of Coronation's stewardship activities during 2020.

Access our full 2020 Stewardship Report [here](#).

ENGAGEMENT AND VOTING

Our active ownership activities included investee company engagements, proxy voting and collaboration on a variety of ESG themes.

A year of intense engagement



256

Number of
engagements



121

Number of
companies

Voting in line with our principles



6 466

Voting
resolutions



524

Shareholder
meetings

KEY THEMES TACKLED



THE INVESTMENT
IMPACT OF COVID-19
ON COMPANIES AND
SOCIETY



RESPONSIBLE
CITIZENSHIP IN A
TIME OF CRISIS



DRIVING GOOD
CORPORATE
GOVERNANCE



TACKLING CLIMATE
CHANGE



SUSTAINABILITY
REPORTING



DIVERSITY AND
INCLUSION



Stewardship at Coronation



OUR PURPOSE

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



ACTING AS FIDUCIARIES

We have been fulfilling our fiduciary duty to act as responsible stewards of our clients' capital for nearly 30 years. Investing in a responsible and sustainable manner is embedded in our DNA.



OUR PHILOSOPHY

We are an active, valuation driven investor with a primary focus on the long-term prospects of the assets in which we invest. We believe that responsible corporate behaviour drives long-term success and that companies that manage their ESG exposure effectively are more likely to create sustainable value for stakeholders. Therefore, the integration of ESG factors into our investment process leads to more informed investment decisions and better long-term outcomes.

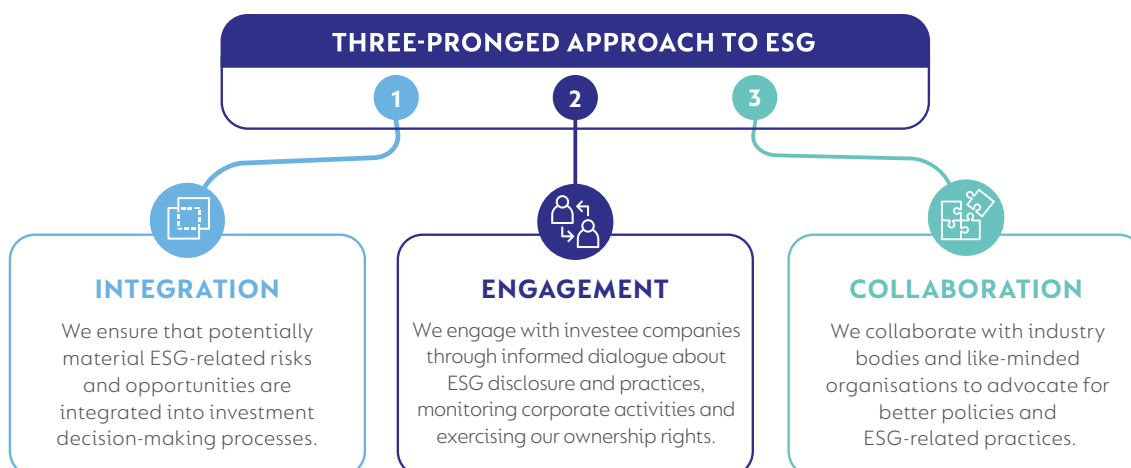


OUR STEWARDSHIP APPROACH

We are active owners that aim to influence positive change through meaningful engagement on important ESG issues. This approach is fully aligned to our long-term investment philosophy. Our approach extends across all asset classes, including equities and fixed income, and across all geographies in which we invest.

OUR APPROACH TO ESG

Our approach to ESG is underpinned by three core pillars of integration, engagement and collaboration.





Diversity and inclusion



2020 was a watershed year for many reasons, including the enhanced focus on diversity and inclusion. This has become one of the most pressing topics in the asset management industry, both within our own sector and for the companies in which we invest.

There are numerous research studies that continue to show the benefits of diverse and well-balanced workforces and the manner in which they positively contribute to a company's long-term success. An inclusive culture that leverages diverse views effectively will be an important element in determining a firm's success.

Coronation's diverse community of individuals and our integrated culture have always been a key part of who we are. We are proud that our representations across all categories score well above global averages. The work is never done and we continue to push for progress.

Our diversity in numbers*

ETHNIC DIVERSITY

Black individuals represent:



75%
OF OUR
BOARD OF
DIRECTORS



67%
OF OUR
EXECUTIVE
COMMITTEE



59%
OF OUR
STAFF



50%
OF OUR
INVESTMENT
TEAM LEADERS

GENDER DIVERSITY

Women represent:



50%
OF OUR
EMPLOYEES



42%
OF OUR BOARD
OF DIRECTORS



60%
OF OUR NEW
HIRES



33%
OF OUR EXECUTIVE
COMMITTEE

* South African-based employees as at end-December 2020



Engagement activity



Meaningful engagement with investee companies is one of the most effective ways of driving positive change. Effective engagement drives responsible corporate behaviour, which, in turn, leads to greater sustainability and, ultimately, higher long-term returns for our clients.

As a research-driven, fundamental manager, we regularly interact with all of the companies in our investment universe. In 2020, we had 256 engagements with 121 companies covering 25 themes. Interactions with companies on material issues often require ongoing dialogue and almost half of our current engagements are ongoing. For those engagements that did reach resolution during the year, more than 75% were positive. Not surprisingly, Covid-19 was a priority focus area, with engagements covering over 360 companies across the full spectrum of related issues.

Key engagement themes



Response to Covid-19: Reassessed and engaged every full-coverage stock in our universe to understand the business impact of the pandemic and the nature of their crisis response strategies. This included assessing the financial and operational measures taken to protect their businesses, as well as stakeholder management.



Carbon disclosures: Advocated for reliable and consistent climate-related disclosure. We sent letters to 89 JSE-listed companies urging them to adopt the Task Force on Climate-related Financial Disclosures (TCFD) framework.



Board composition: Engaged investee companies on matters such as board independence and the diversity, competence, skills and effectiveness of directors.



Remuneration: Assessed the adequacy of remuneration policies in order to ensure an appropriate balance between short- and long-term incentives, and alignment between the interests of management and stakeholders.

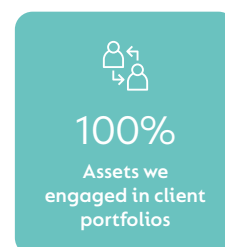


Corporate governance practices: Advocated for improved corporate governance practices and addressed areas of material concern.



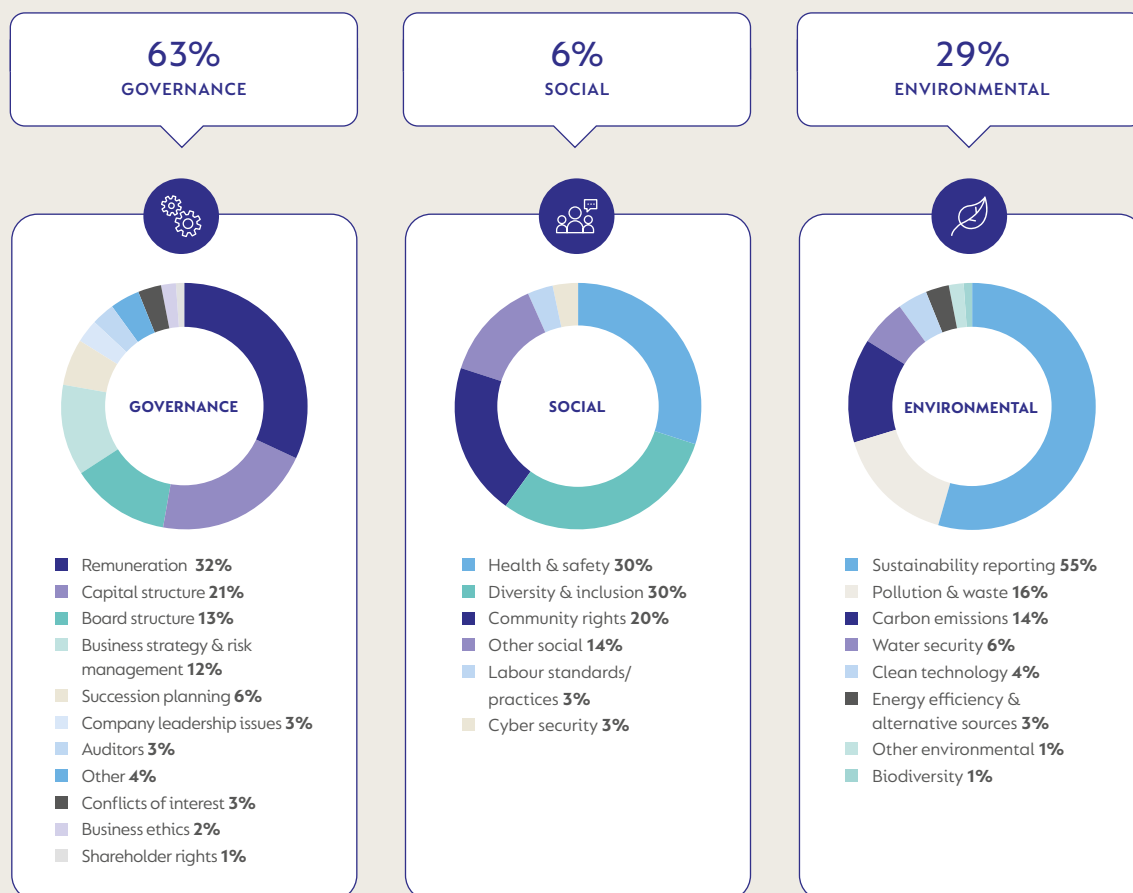
Shareholder value: Identified areas where action is required by investee companies to unlock or enhance shareholder value. This included capital allocation strategies, dividend policies, corporate actions and other drivers of shareholder value.

ROBUST ENGAGEMENT

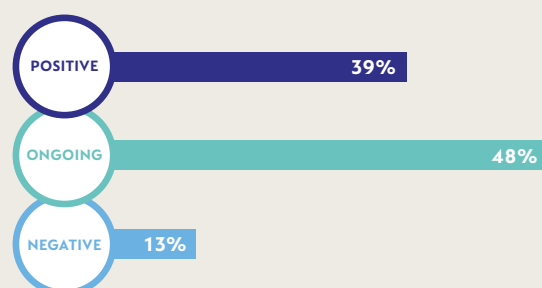




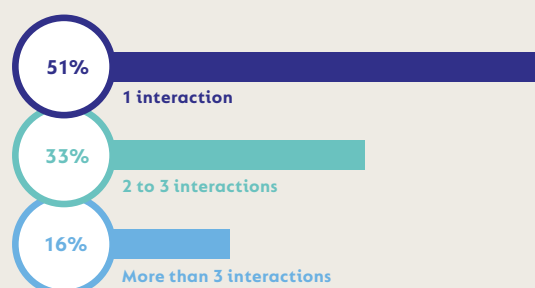
ENGAGEMENTS BY THEME



ENGAGEMENT OUTCOMES



NUMBER OF INTERACTIONS WITH A COMPANY





Voting activity in 2020



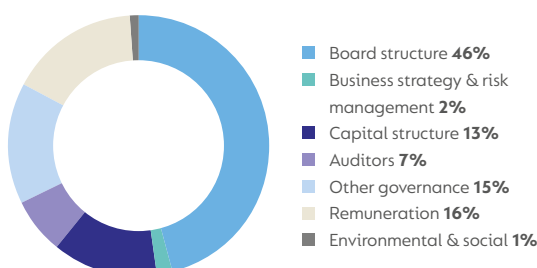
Active ownership

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.

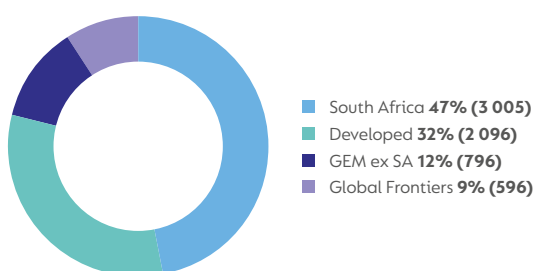
Constructive, pre-emptive engagement and resolution are preferable to formulaic voting at general meetings. We believe that exercising a proxy without prior engagement is contrary to the company's, and, therefore, our investors' best interests. In general, voting against resolutions is a last resort and not something that we do lightly.

Last year, we voted at 524 meetings covering 6 466 resolutions. We recorded at least one dissenting vote at 52% of these meetings.

GLOBAL BREAKDOWN OF DISSENTING VOTES ON A PER-RESOLUTION BASIS



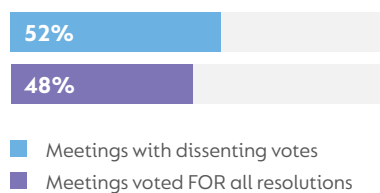
BREAKDOWN OF VOTING BY REGION



DURING THE YEAR WE VOTED ON



HOW WE VOTED



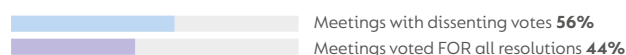


VOTING STATISTICS PER REGION

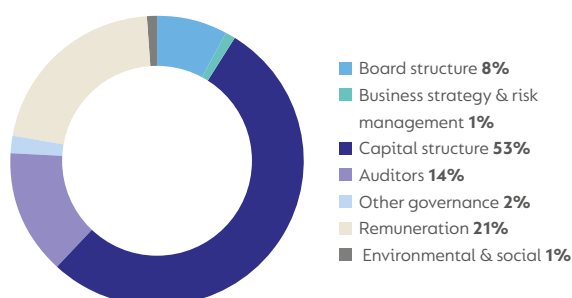
SOUTH AFRICA

In 2020, we made voting recommendations on 3 005 resolutions at 195 meetings, of which 109 meetings contained dissenting votes.

HOW WE VOTED:



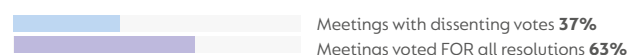
BREAKDOWN OF DISSENTING VOTES ON A PER-RESOLUTION BASIS



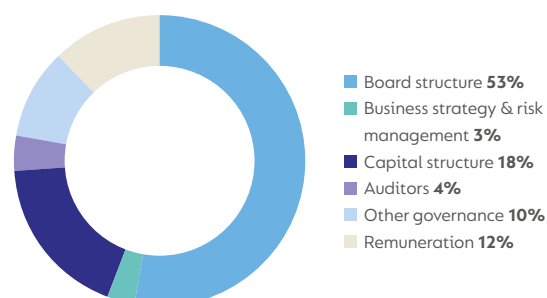
EMERGING MARKETS (EX-SOUTH AFRICA)

In 2020, we made voting recommendations on 796 resolutions at 97 meetings, of which 36 meetings contained dissenting votes.

HOW WE VOTED:



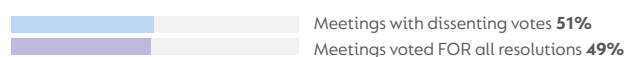
BREAKDOWN OF DISSENTING VOTES ON A PER-RESOLUTION BASIS



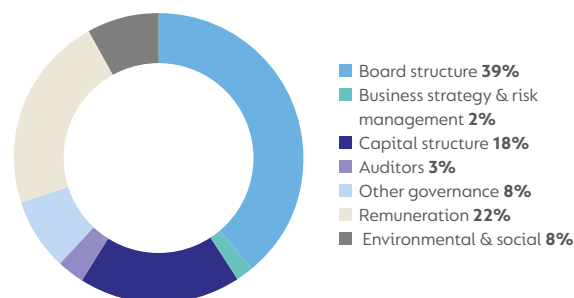
DEVELOPED MARKETS

In 2020, we made voting recommendations on 2 096 resolutions at 158 meetings, of which 81 meetings contained dissenting votes.

HOW WE VOTED:



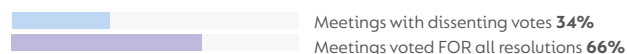
BREAKDOWN OF DISSENTING VOTES ON A PER-RESOLUTION BASIS



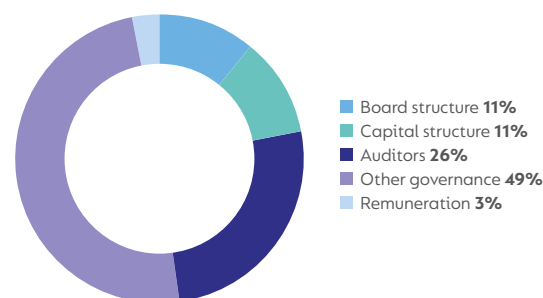
GLOBAL FRONTIER MARKETS

In 2020, we made voting recommendations on 569 resolutions at 74 meetings, of which 25 meetings contained dissenting votes.

HOW WE VOTED:



BREAKDOWN OF DISSENTING VOTES ON A PER-RESOLUTION BASIS





Tackling climate change



Climate change is a material investment risk that we factor into our investment process. We use our three-pronged approach of integration, engagement and collaboration to tackle climate-related risks in our portfolios.

Real progress toward emissions reduction is only made when companies change the way in which they operate on the ground. We aim to drive decarbonisation through active engagement with investee companies to help drive real-world change. When we engage on important environmental issues, we do so by carefully considering the possible unintended consequences.

Disclosure

The lack of reliable and consistent climate-related data is a key area of concern for investors around the world. Robust, comparable and reliable climate-related disclosure is essential for company analysis and to provide portfolio-level views of climate-related risks and exposures.

We use the Task Force on Climate-related Disclosures (TCFD) framework to help manage information. We encourage investee companies to adopt disclosure practices that are in line with the TCFD's recommendations.



We supported proposals that encouraged improved climate disclosures tabled by other investors:

CLIMATE SHAREHOLDER PROPOSALS

Company	Shareholder proposal
YUM Brands Inc.	Report on supply chain impact on deforestation
ABSA Group Ltd.	Provide shareholders with an initial assessment of the company's exposure to climate risk
Nedbank Group	Adopt and publicly disclose an energy policy

Carbon reporting on our portfolios

We reported on the carbon intensity of our strategies for the first time in 2020. This is the estimated number of tonnes of carbon emitted for every \$1 million in revenue generated by the portfolio's underlying holdings. This calculation includes Scope 1 emissions (produced directly by a company's activities) as well as Scope 2 emissions (relating to the electricity that a company consumes). All strategies, at present, have carbon exposure levels below that of their respective benchmarks. These values should be looked at in tandem with the regular engagements we have to understand how companies plan to reduce their emissions.



PORTFOLIO CARBON INTENSITY VS BENCHMARK

For every \$1m in revenue, the number of tonnes of CO₂e (tCO₂e)¹ emitted by the underlying holding is:

SA HOUSEVIEW EQUITY

305
portfolio
339
benchmark

ACTIVE GLOBAL EQUITY

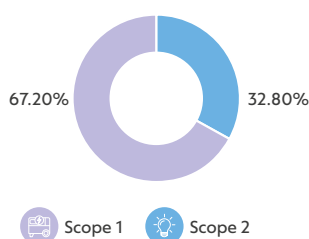
41
portfolio
155
benchmark

GLOBAL EMERGING MARKET EQUITY

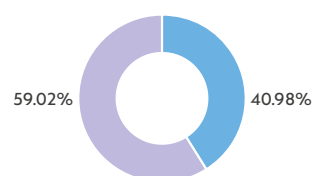
35
portfolio
264
benchmark

SCOPE 1 AND 2 EMISSIONS PER PORTFOLIO

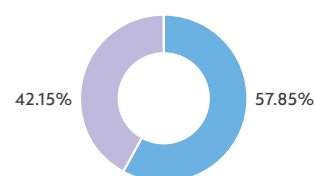
SA HOUSEVIEW EQUITY



ACTIVE GLOBAL EQUITY



GLOBAL EMERGING MARKET EQUITY



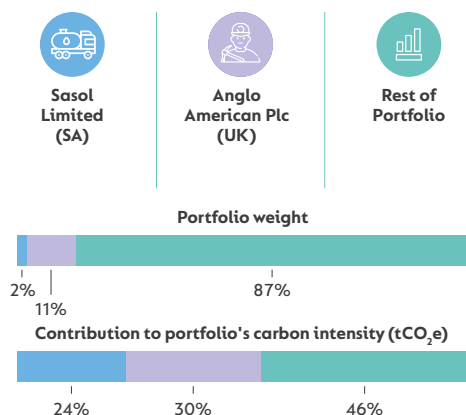
Sources: MSCI, Coronation

Within these portfolios, we do have exposure to businesses that would be considered to be carbon intensive. We are comfortable with these holdings as we have engaged with them in a proactive manner about the path forward in reducing their carbon emissions in a just and responsible manner.

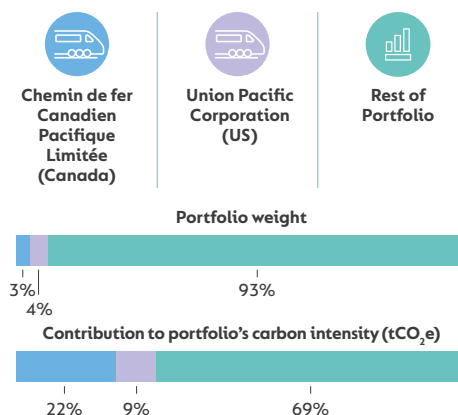
LARGEST CONTRIBUTORS TO PORTFOLIO CARBON INTENSITY

Contribution to total portfolio intensity

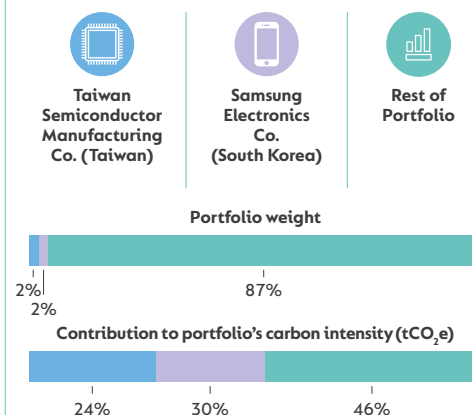
SA HOUSEVIEW EQUITY



ACTIVE GLOBAL EQUITY



GLOBAL EMERGING MARKET EQUITY



Sources: MSCI, Coronation

¹ Carbon dioxide equivalent or CO₂e is the number of metric tonnes of carbon dioxide emissions with the same global warming potential as one metric tonne of another greenhouse gas



Collaborating with others




As an active investor, we believe in proactively participating in shaping an environment that:

- protects the long-term interests of asset owners, and
- promotes collaboration in support of a sustainable and diverse investment industry that serves the best interests of the societies in which we operate.

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.


In addition, we are a member/signatory of a number of local and global organisations that are driving for positive change in the asset management arena to the benefit of investors and society.

SUPPORTING CLIMATE ACTION 100+




We worked with lead engagers to engage high carbon emitters on actions to improve disclosure and reduce emissions.

A+ RATING FOR 2020 PRI ASSESSMENT



We achieved the highest PRI rating of A+ across all assessment categories, exceeding the median participant score across every category.

SUPPORTING THE RESPONSE TO COVID-19



We worked with industry bodies, like ASISA, Business Leadership SA and Business for SA to help mitigate the devastating impact of the pandemic on the local economy.

CORONATION'S 2020 PRI ASSESSMENT REPORT CARD

2020		
Module name	Coronation	Median
Strategy & Governance	A+	A
Listed Equity – Incorporations	A+	A
Listed Equity – Active Ownership	A+	B
Fixed Income – Sovereign, Supranational and Agency	A+	B
Fixed Income – Corporate Financial	A+	B
Fixed Income – Corporate Non-Financial	A+	B

Sources: PRI, Coronation

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