



CORONATION

TRUST IS EARNED™

Stewardship Highlights

2021



Overview



Stewardship is integral to achieving our goal of delivering significant and sustainable long-term benefits for our clients. In 2021, our efforts played out against a backdrop where societal pressures, accentuated by the pandemic, continued to increase the materiality of environmental, social and governance (ESG) factors on the financial outcomes of many companies.

In this context, active stewardship is as critical as ever. We believe that integrating sustainability factors into the investment process leads to better informed investment decisions and that companies that are managed on a sustainable basis are more likely to create value over the long term.

This report provides a summary of Coronation's stewardship activities during 2021.

Access our full 2021 Stewardship Report [here](#).

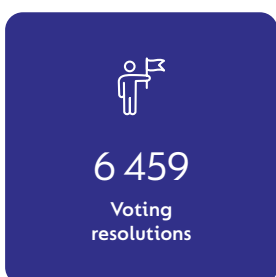
ENGAGEMENT AND VOTING

As active stewards of our clients' capital, we engaged with investee companies, exercised our voting rights and collaborated with others on a variety of ESG themes.

Engaging for positive change



Voting in line with our principles



HIGHLIGHTS OF THE YEAR



ADDRESSING GREENHOUSE GAS EMISSIONS



STRENGTHENING CORPORATE GOVERNANCE THROUGH MULTI-YEAR ENGAGEMENTS



INVESTING TO DECARBONISE AEROSPACE



PIONEERING SUSTAINABILITY-LINKED BONDS



TACKLING RELATED-PARTY TRANSACTIONS



Stewardship at Coronation



OUR PURPOSE

To deliver superior long-term investment outcomes for 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 an active owner that aims 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 the geographies in which we invest.

OUR APPROACH TO ESG

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





Diversity and inclusion



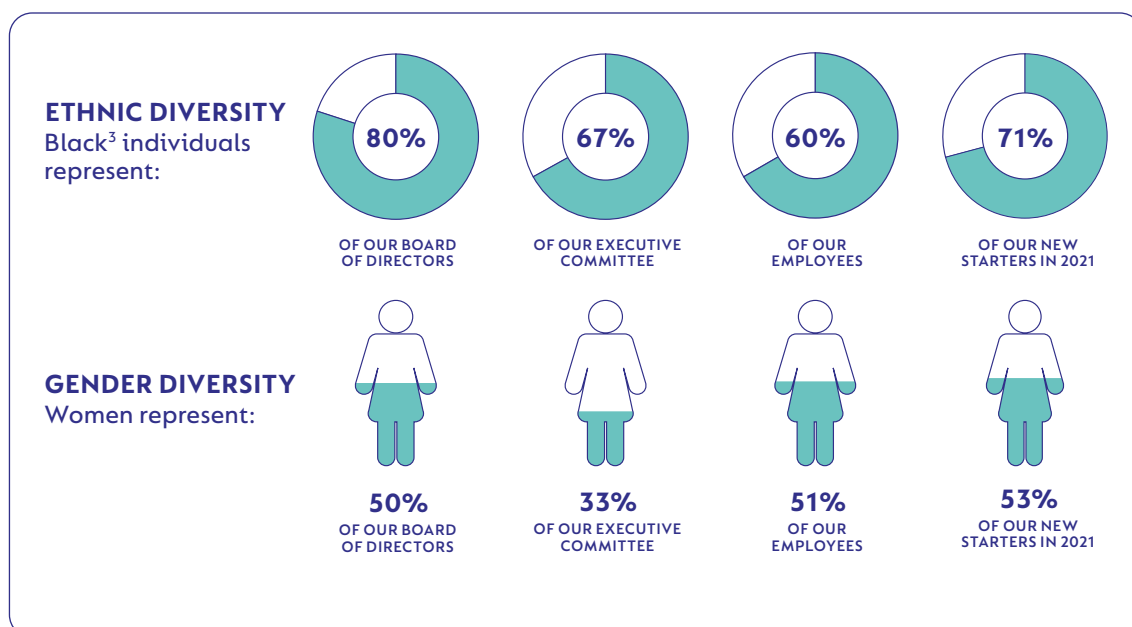
Founded at the genesis of post-apartheid South Africa, our history is rooted in an awareness of the deep need to nurture diversity, equality, and inclusion at every level of government, society and business.

Our commitment to diversity is demonstrated by our diverse employee complement across every level of business, from our board of directors to our interns. Our employees span gender, ethnic, language, religious and socioeconomic backgrounds across a wide range of academic and professional qualifications.

For us, however, diversity is not simply a human resources target. Instead, it is entrenched in our culture. We believe that diverse collaborators are better equipped to face the challenges in competitive and uncertain environments and that fostering an inclusive work environment is critical to unlocking the diversity dividend. We are cognisant of the need to avoid “groupthink” and promote a culture where opposing views can be expressed without fear. Listening to and interrogating discordant perspectives result in richer and deeper analysis and, ultimately, better outcomes for our clients.

Our efforts since 1993 culminated in the achievement of B-BBEE¹ Level 1 status at the end of the 2021 financial year. Achieving a Level 1 rating is the product of years of dedication to real and significant broad-based transformation.

Diversity at Coronation²



¹ The Financial Sector Code in South Africa provides a benchmark against which Broad-Based Black Economic Empowerment (B-BBEE) is determined. B-BBEE legislation was introduced in 2003 to facilitate broad participation in the economy by black people in order to redress inequalities.

² South African-based employees as at 31 December 2021.

³ African, Asian and mixed race ethnicity.



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 fundamental manager, we regularly interact with the companies in our investment universe. In 2021, we had 395 engagements with 175 companies covering 20 themes. Interactions with companies on material issues often require ongoing dialogue and 40% of our current engagements are ongoing.

Activity levels increased across the board, with a notable 82% increase in the number of environmental engagements. This was largely as a result of our engagements with companies to encourage the adoption of reporting in line with the Taskforce for Climate-Related Financial Disclosure (TCFD).

Key engagement themes



Board composition: We engaged with companies where we were not satisfied with the size or composition of the board, including where we had concerns around the independence of the chair and other board members, the diversity and competence of directors, and the availability of directors to commit the time necessary to perform their duties. We continued to advocate for a strong mix of financial, technical, and commercial skills that meet the individual needs of each business.



Remuneration: We carefully evaluated remuneration policies and practices to ensure that they provided for a holistic assessment of the balance between various factors that are used to ultimately determine the amount and timing of payments to executives. We aimed for alignment between the interests of management and shareholders.



TCFD reporting: We encouraged investee companies to report in line with the TCFD reporting guidelines.



Shareholder value: We engaged to unlock or enhance shareholder value by focusing on company-specific issues ranging from business strategy, capital structure and capital allocation to corporate actions and regulatory matters.



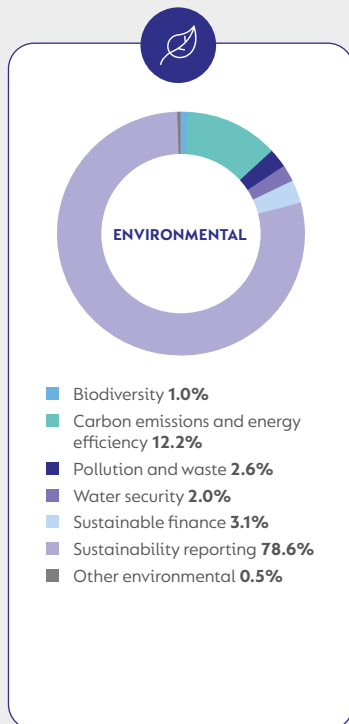
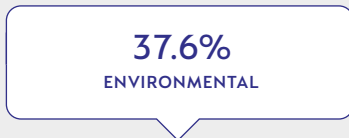
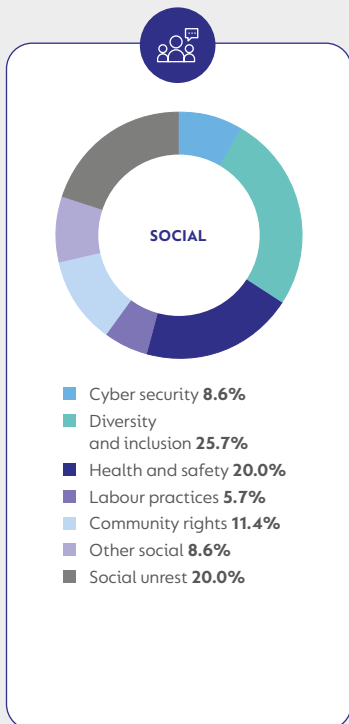
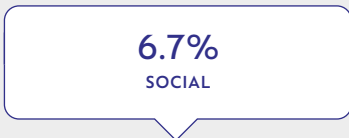
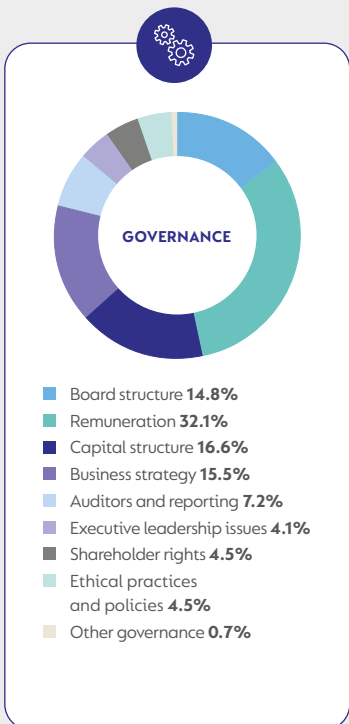
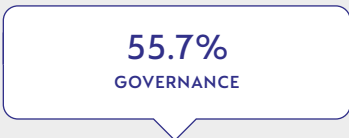
Diversity, inclusion and transformation: The need for diversity, inclusion and transformation within the workplace remained an important topic of engagement. In South Africa, we held discussions with companies on broad-based black economic empowerment transactions in order to understand the essential elements, such as the financial implications and intended beneficiaries.

ROBUST ENGAGEMENT

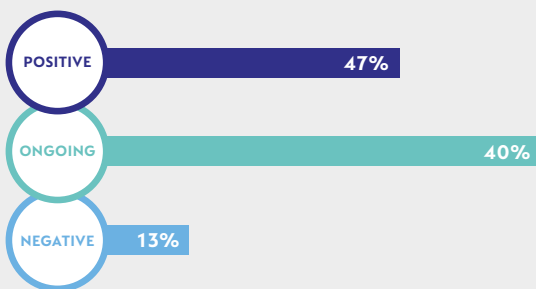




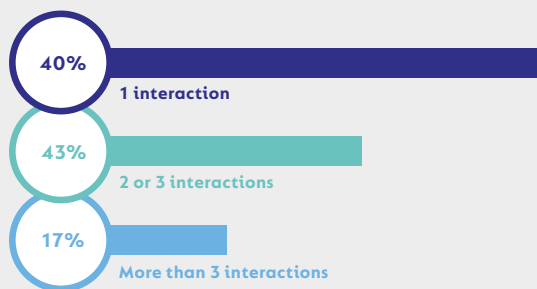
ENGAGEMENTS BY THEME



ENGAGEMENT OUTCOMES



NUMBER OF INTERACTIONS WITH A COMPANY





Voting activity in 2021



Proxy voting is an important way in which we are able to exercise our ownership rights. We consider and vote on all proxies for all companies in which we hold shares on behalf of our clients, regardless of the size of these holdings.

As a result of our engagement approach, we often engage extensively with boards and management teams well ahead of any votes, as we want to ensure that our concerns are dealt with before the vote. We believe that exercising a proxy without prior engagement or forewarning to the company is contrary to the company's and, therefore, our investors' best interests. Voting against resolutions is generally a last resort and not something that we do lightly.

In 2021, we voted at 498 meetings covering 6 459 resolutions. We recorded at least one dissenting vote at 45% of these meetings.

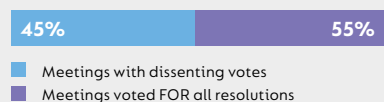
2021 Proxy voting record

2021 PROXY VOTING RECORDS

DURING THE YEAR, WE VOTED ON

6 459 Resolutions at **498** Meetings

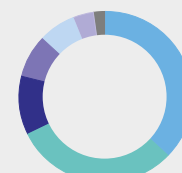
HOW WE VOTED:



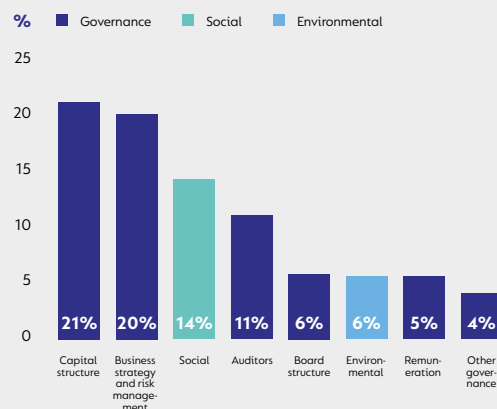
RESOLUTIONS BY REGION



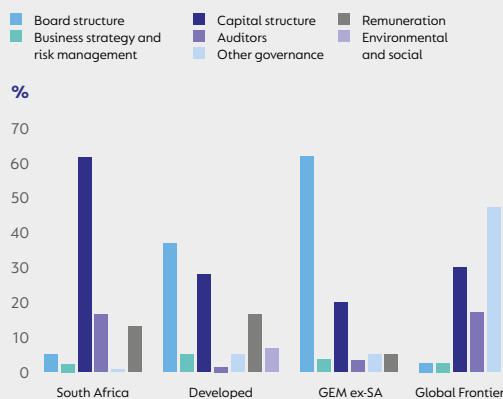
BREAKDOWN OF DISSENTING VOTES



DISSENTING VOTES AS A PERCENTAGE OF TOTAL VOTES PER TOPIC



DISSENTING VOTES ON A PER RESOLUTION BASIS BY REGION





VOTING STATISTICS PER REGION

SOUTH AFRICA

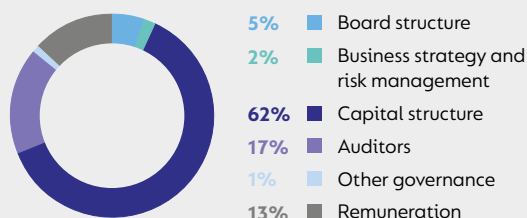
In 2021, we made voting recommendations on 2 796 resolutions at 167 meetings, of which 89 meetings contained dissenting votes.

HOW WE VOTED:



- Meetings with dissenting votes
- Meetings voted FOR all resolutions

BREAKDOWN OF DISSENTING VOTES ON A PER-RESOLUTION BASIS



EMERGING MARKETS (EX SOUTH AFRICA)

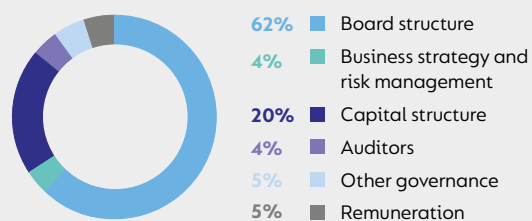
In 2021, we made voting recommendations on 1 007 resolutions at 115 meetings, of which 38 meetings contained dissenting votes.

HOW WE VOTED:



- Meetings with dissenting votes
- Meetings voted FOR all resolutions

BREAKDOWN OF DISSENTING VOTES ON A PER-RESOLUTION BASIS



DEVELOPED MARKETS

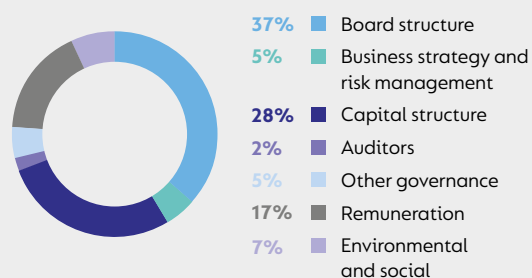
In 2021, we made voting recommendations on 2 069 resolutions at 149 meetings, of which 69 meetings contained dissenting votes.

HOW WE VOTED:



- Meetings with dissenting votes
- Meetings voted FOR all resolutions

BREAKDOWN OF DISSENTING VOTES ON A PER-RESOLUTION BASIS



GLOBAL FRONTIER MARKETS

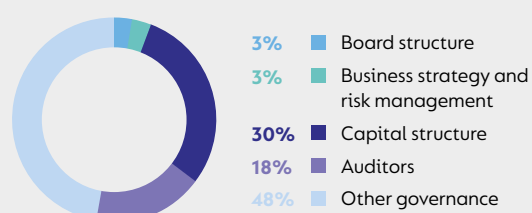
In 2021, we made voting recommendations on 587 resolutions at 67 meetings, of which 29 meetings contained dissenting votes.

HOW WE VOTED:



- Meetings with dissenting votes
- Meetings voted FOR all resolutions

BREAKDOWN OF DISSENTING VOTES ON A PER-RESOLUTION BASIS





Tackling climate change



Climate change is a pervasive risk with significant implications for the global population. By addressing the challenges that climate change is presenting and by helping to mitigate the impacts thereof, we aim to ensure that individuals are saving for a future in a world worth living in.

Active ownership

As active managers and advocates for real, on-the-ground change, we prefer to actively engage with companies to bring about long-term change instead of simply divesting.

The benefits of active ownership include:



By embarking on a journey to help a company decarbonise its operations, ensure that exposure to fossil fuel assets and production is managed down in an orderly and sustainable manner.



Active ownership requires companies to set credible emissions targets and commit to clear plans for meeting these targets.



Companies are held accountable for their commitments through robust and ongoing engagement.



Over time, active ownership can lead to overall emissions reduction. In contrast, divestment can lead to portfolio-level decarbonisation while doing little to reduce real-world emissions.

Disclosure of climate data

Robust, comparable and reliable climate-related disclosure is a prerequisite for fundamental company analysis and the integration of transition, physical and liability risks into our investment process. Therefore, the lack of consistency in company reported sustainability data is one of the most pressing challenges facing the industry.

To improve the quality of the data of our investee companies, we encourage investee companies to adopt disclosure practices that are in line with the TCFD's recommendations.

Carbon reporting on our portfolios

We report the carbon intensity – the estimated number of tonnes of carbon emitted for every \$1 million in revenue generated by the portfolio's underlying holdings - of select strategies. 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). Our South African Houseview Equity Strategy, Active Global Equity Strategy and Global Emerging Markets Equity Strategy have carbon exposure levels below that of an investment in the appropriate index tracker for each strategy. These values should be looked at in tandem with the regular engagements we have in order to understand how companies plan to reduce their emissions.

The majority of emissions are driven by a few companies with large emissions. This analysis helps to direct our attention to those companies that can make the most meaningful impact on lowering aggregate real-world carbon emissions.





PORTFOLIO-LEVEL CARBON EMISSIONS

MSCI weighted average carbon intensity (T CO₂E/\$M SALES)

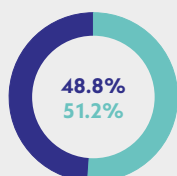
Scope 1 and 2 emissions as a % of contribution

Largest contributors to portfolio carbon intensity

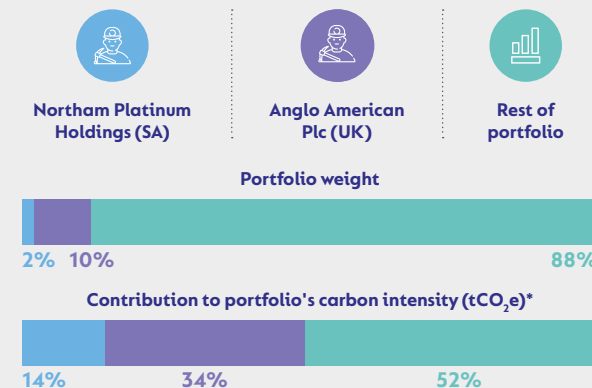
SA Houseview Equity



■ Portfolio
■ Benchmark



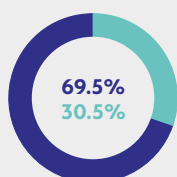
■ Scope 1
■ Scope 2



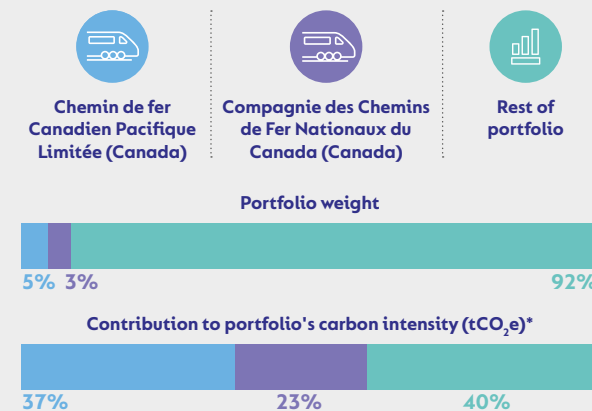
Active Global Equity



■ Portfolio
■ Benchmark



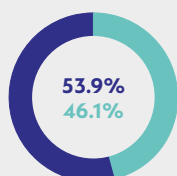
■ Scope 1
■ Scope 2



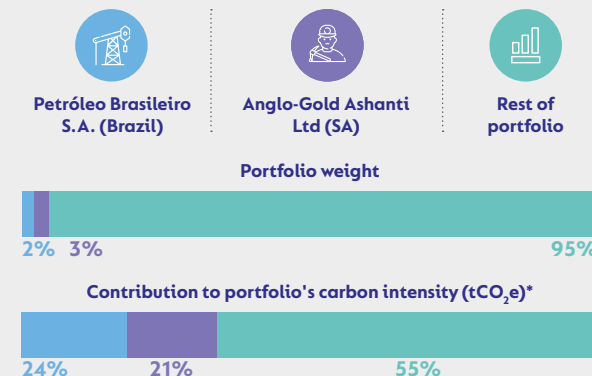
Global Emerging Markets Equity



■ Portfolio
■ Benchmark



■ Scope 1
■ Scope 2





Collaborating with others



We participate proactively in shaping an operating 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 ASISA (the Association for Savings and Investments in South Africa), whose role is to ensure the sustainability and relevance of the investment industry for the benefit of the country and its citizens. Our CEO is a member of ASISA's executive committee and was recently appointed as Chairman of ASISA.

Recent initiatives and engagements include:



PARTICIPATING IN CLIMATE ACTION 100+ INITIATIVES

We participated in engagements relating to South Africa's focus companies, Eskom (as a collaborating investor) and Sasol (as an individual engager).



SUPPORTING THE RESPONSE TO COVID-19

We committed a further R6.4 million to relief efforts, including contributions to the not-for-profit organisations FoodForwardSA and Ladles of Love, and support for the Solidarity Fund's vaccine rollout programme.



SHAPING THE INDUSTRY

We provided input and feedback into a number of draft regulations and legislation, including the Draft Green Finance Taxonomy released by South Africa's National Treasury, the Johannesburg Stock Exchange's Draft Sustainability and Climate Disclosure Guidance, the Companies Amendment Bill 2021, and a revision of the Code for Responsible Investing in South Africa.



ACTIVE PARTICIPATION

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.



The Association for Savings and Investment South Africa

Status: Member and participant on boards and working groups



South Africa's CEO Initiative

Status: Member



Task Force on Climate-Related Financial Disclosure

Status: Member



The Investment Company Institute

Status: Member



Principles for Responsible Investment

Status: Signatory



Climate Action 100+

Status: Signatory



Code for Responsible Investing in South Africa

Status: Supporter



Business Leadership South Africa (BLSA)

Status: Member



Thinking Ahead Institute

Status: Member and working group participant

The UK Stewardship Code

Status: Supporter



International Corporate Governance Network

Status: Member



Irish Funds Industry Association (Irish Funds)

Status: Member



United Nations Women's Empowerment Principles

Status: Signatory



Looking ahead



We have identified the themes below as key engagement priorities in the context of what we believe is currently relevant and important to our stakeholders. The table below provides an overview of the extent to which our engagement priorities are expected to address the UN's Sustainable Development Goals (SDGs).

		ENGAGEMENT PRIORITIES						
		Board diversity and effectiveness	Shareholder value	Remuneration	Diversity and inclusion	Sustainability reporting	Sustainable finance	Employee safety
	No Poverty							
	Zero Hunger							
	Good Health and Well-Being							
	Quality Education							
	Gender Equality	●			●	●		
	Clean Water and Sanitation					●	●	
	Affordable and Clean Energy					●	●	
	Decent Work and Economic Growth		●	●				●
	Industry, Innovation and Infrastructure						●	
	Reduced Inequalities				●	●		
	Sustainable Cities and Communities					●	●	
	Responsible Consumption and Productions					●	●	
	Action Climate					●		
	Life Below Water					●		
	Life on Land					●		
	Peace, Justice and Strong Institutions				●			
	Partnerships for the Goals					●	●	

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