



STEWARDSHIP REPORT

2018



CORONATION

TRUST IS EARNED™



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“Investing for the long term requires a more thoughtful approach than ever.”

Foreword

I am pleased to present our first annual Stewardship Report, which outlines our approach to responsible investing. It also discloses 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.

We chose the term stewardship because it encapsulates our broader long-term ownership philosophy, going beyond the basic box-ticking on environmental, social and governance (ESG) issues. This means that our work is focused on assessing the strategic direction and culture of companies, the capital allocation skill of management teams and the level of alignment with shareholders. We don't believe that return and sustainability are conflicting objectives.

At the moment, the rate at which social activism and awareness of ESG issues are developing is simply outpacing the speed at which the industry can adapt. This is certainly a challenge and hence we expect processes and frameworks to evolve over the next few years as we continue to improve our thinking around these complex issues. At a time when the world urgently needs to see a better kind of capitalism emerging, investing for the long term requires a more thoughtful approach than ever.

At Coronation, our culture and values are important factors in delivering our commitment to being the best stewards of our clients' assets and we understand that we have been granted a social licence to operate. Evidence of the ability to deliver attractive long-term financial outcomes for clients is the fact that 73.8% of the assets we manage have outperformed their benchmarks over rolling 10-year periods and 98.7% since inception.¹

On a basic level, when we do well for our clients as investment managers, the additional returns that we produce for them over and above the relevant benchmark is of social benefit. But it goes further than that. When we invest for the long term and encourage growth and investment in businesses, we help support visionary leadership and sustainable economic growth. The consideration of ESG factors in the investment process plays an increasingly significant role in achieving sustainable economic growth as the world grapples with a range of sustainability challenges.

It is for this reason that Coronation was an early signatory to the United Nations-backed Principles for Responsible Investment (PRI) in 2007, being one of the first 10% of asset managers globally to sign on.

At Coronation, our ESG analysis is performed in-house, as we believe that it is our relationships with the boards and management teams of our investee companies that help us to engage effectively. 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 ever deepening our understanding of ESG factors at both a company and a sector level. This will help us to ensure that we are managing our clients' money in a truly long-term and sustainable way.

The first step has been to establish a baseline and framework within which progress and activity across all areas of ESG can be measured and reported. To this end, we have committed large amounts of internal time and resources to improve on this and we aim to make greater progress in the years to come. There has been a shift in the attitude of policymakers and regulators around the world regarding the greater role of sustainable and responsible investment. This varies materially from market to market, but the trend has been the same.

One area where we aim to improve our insight into is climate change. The purpose will be to accelerate our understanding of and design our approach to this really complex issue so that we can take action on both the risks and opportunities stemming from climate change. As some of our case studies will show, our approach has been effective and has brought positive change to a number of our investee companies.

I trust you will find the information in our report useful. We will continue to build and refine our approach to stewardship and responsible investing as we believe that it is in our clients' best long-term interests to do so.

Sincerely

Kirshni Totaram
Global Head of Institutional Business

¹As at 31 March 2019; funds with a 10-year+ history.



Regarding Coronation

A PROUDLY SOUTH AFRICAN COMPANY

Headquartered in Cape Town, Coronation is one of the largest independent asset managers in South Africa. We invest the long-term savings of millions of South Africans, and our clients include individuals, pension and provident funds, medical schemes, banks, insurers and other fund managers in southern Africa. We also manage assets for several international retirement funds, endowments and family offices.

We are an active manager with a single long-term valuation-driven investment philosophy, and our portfolios are constructed from the bottom up and based on extensive proprietary research.

Having opened our doors in 1993, at the dawn of our democracy, we are a proudly South African company, and are committed to ensuring that our actions deliver sustainable long-term value to all of our stakeholders.

We believe trust can only be earned by maintaining the highest standards of integrity in all our endeavours.

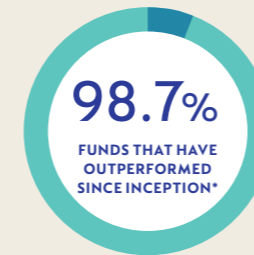
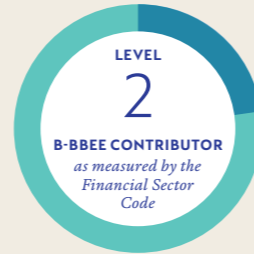
ASSETS UNDER MANAGEMENT

R586bn¹

FEMALE EMPOWERMENT

49% OF OUR EMPLOYEES ARE FEMALE¹

54% OF NEW HIRES ARE FEMALE²



* 31 March 2019; funds with a 10-year + history

ECONOMIC INCLUSIVITY AND TRANSFORMATION

Pre-dating black economic empowerment legislation in South Africa, Coronation created and financed a number of successful, stand-alone businesses. We continue to support small business growth in the financial services industry and beyond.

1998 We established **Finsource** (now Maitland Fund Services), a provider of outsourced back-office services.

1999 We founded **African Harvest Asset Management** (subsequently bought out by Cadiz Asset Management).

2001 Together with Kagiso Trust Investments, we launched **Kagiso Asset Management**.

2006 The **Coronation Business Support Programme** was developed to grow and develop niche black stockbroking companies. Over its more than 10-year lifespan, the programme allocated more than R280 million to its participants and provided hands-on support to create strong and sustainable enterprises.

2016 The Coronation Business Support Programme inspired the launch of the Association for Savings and Investment SA (ASISA) **Stockbroker Development Programme** in 2016. Coronation is a member of this programme.

2018 We supported the establishment of majority black-owned independent investment administration company, **Intembeko Investment Administration**.

We invested R10 million in the SA SME Fund, which was established to solve South Africa's economic challenges by investing in promising SME initiatives.

We became a signatory to the CEO Circle – a pledge by big business to support **black entrepreneurs and small businesses**.

¹ As at 31 March 2019
² Rolling 12-month periods

HOW WE ENSURE VALUE CREATION FOR STAKEHOLDERS

CLIENTS

Consistent execution of investment philosophy; regular fee and benchmark reviews; achieving rigorous client service targets; continuous enhancement of client platforms and correspondence; and world-class security measures.

SHAREHOLDERS

Robust governance structures and ongoing investment in our business to create a world-class asset management company; consistent and sustainable operational performance and cost control; stable investment team; timely reporting and commentary; and regular dividend distribution.

GOVERNMENT AND REGULATORS

Detailed compliance universe and monitoring plans; and continuous engagement with regulators to achieve a safer financial sector.

COMMUNITIES

Strong focus on real outcomes to improve education and community development via our CSI programmes.

OUR PEOPLE

Training and development; coaching and mentoring; performance-based remuneration; and employee ownership and empowerment.

OUR SOCIAL IMPACT FOOTPRINT

MATHS EDUCATION
12 289 LEARNERS
335 TEACHERS
25 SCHOOLS
(Counting with Coronation in 2018)

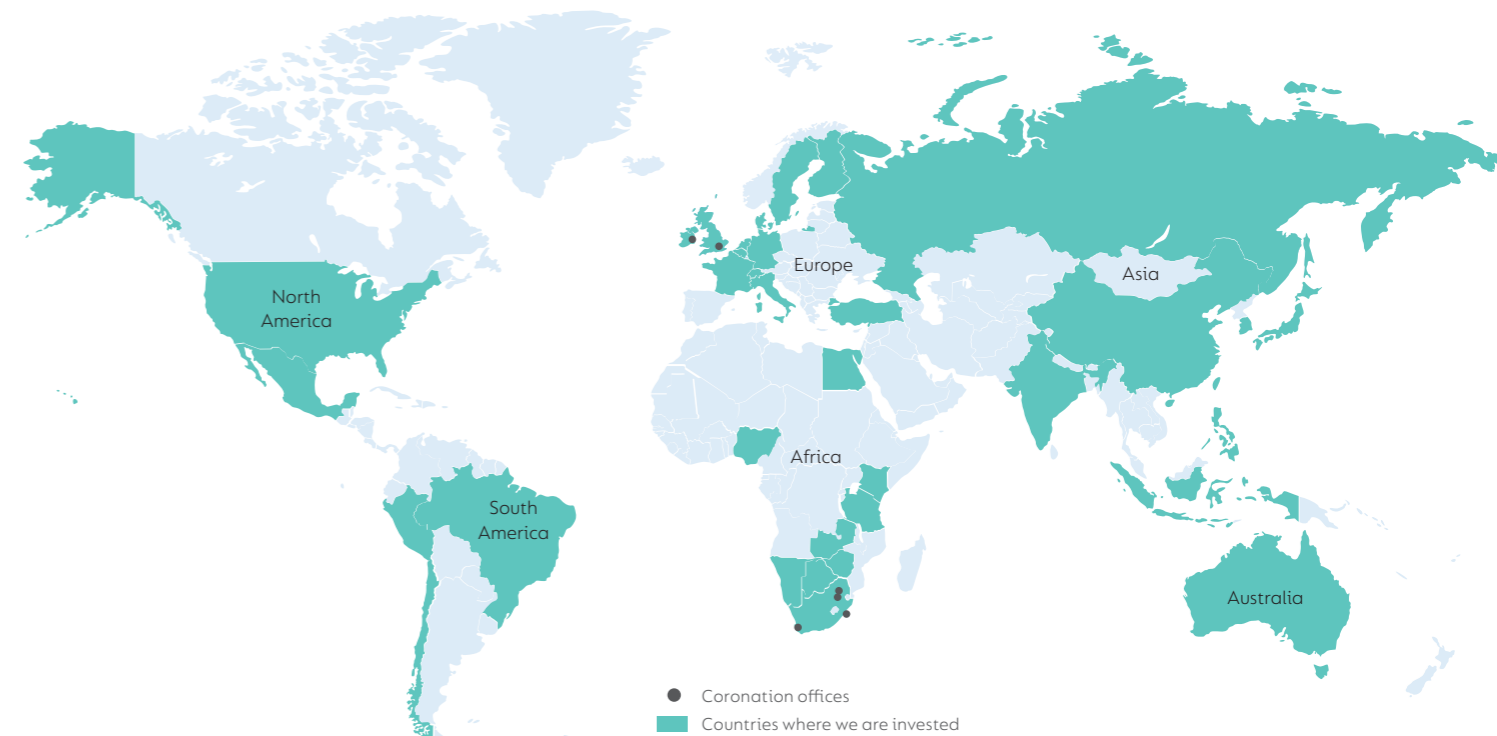
LITERACY
3 700 LEARNERS
35 EDUCATORS
42 SCHOOLS
(Coronation Reading Adventure Rooms in 2018)

BLACK FARMERS
5 167 SMALL SCALE FARMERS
(since inception of Coronation Growing Entrepreneurs)

SCHOOL GARDENS
404 SCHOOLS
7 496 LEARNERS
(since inception of the Coronation School Gardens Programme)

FINANCIAL LITERACY
18 242 ADULTS
730 TRAINING SESSIONS
9 PROVINCES
(Adult consumer education initiatives in 2018)

WHERE WE ARE INVESTED ON BEHALF OF OUR CLIENTS





Our investment philosophy

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

In 2018 we had 251 engagements with companies



STEWARDSHIP APPROACH

We believe that companies and organisations that manage environmental, social and governance (ESG) factors more effectively are more likely to endure over time and create sustainable value over the long term. Factors may vary by industry, country and company, however, we ensure that we consider relevant ESG matters when evaluating opportunities, making investment decisions and engaging with companies to seek improvements in business practices and disclosures.

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, waste management
- S** – human rights, local impact and employment, child labour, working conditions, health and safety standards, anti-corruption, B-BBEE, data privacy
- G** – anti-corruption, alignment of interests, executive compensation, board independence and strength, shareholder rights, capital allocation

Our approach to ESG-related activities focuses on three key functions: integration, engagement and collaboration. The aim of taking one or all of these actions is to generate positive changes that will create more value in the portfolios we manage on behalf of our clients.

Three-pronged approach to ESG



We generally find, as a first step, that engagement is more constructive and effective outside of the annual general meeting (AGM) 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 to the public arena via the media.

Why not just divest?

Our responsibility is to maximise the long-term investment returns for our clients without undue risk of loss. Eliminating entire categories of potential investments would not be consistent with that mandate and would, in the South African context, eliminate a large part of the investable market and important businesses that provide employment within the country. The risks of divestment hence include missing out on potential returns or being compelled to sell assets at sub-optimal times and levels.

This is why we believe that we can more effectively press for positive change by being an active, engaged investor than by sitting on the sidelines. The aim is win-win: more responsible corporate behaviour which leads to greater sustainability over the long term and ultimately higher long-term returns.

We look at the ESG factors both before and after making an investment, and they can be very important factors in determining whether a potential investment is attractive. Where considerations are material, they can significantly affect our assessment of a company's risk and return profile.

In adopting the three-pronged approach to ESG, (integration, engagement and collaboration), we are seeking to influence the ongoing performance of underlying companies in a proactive and responsible manner rather than opting for short-term divestment.

Climate change

There is growing consensus that climate change is one of the world's most significant physical, social, technological and economic challenges. The complexity for investors is compounded by factors that include the absence of a historical fact set, the requirement to forecast probabilities into the future and a lack of standardised disclosure among companies.

Our aim is to ensure that we gain a proper understanding of the investment risks and opportunities presented by climate change. Portions of the portfolio are exposed to, and may from time to time, include fossil fuel producers. These are in turn exposed to policy, technology, shifting demand, market and other climate change-transition risks. As such, we need to ensure that the assets and our investments into them compensate sufficiently for these risks.

Maximising long-term returns without undue risk of loss.



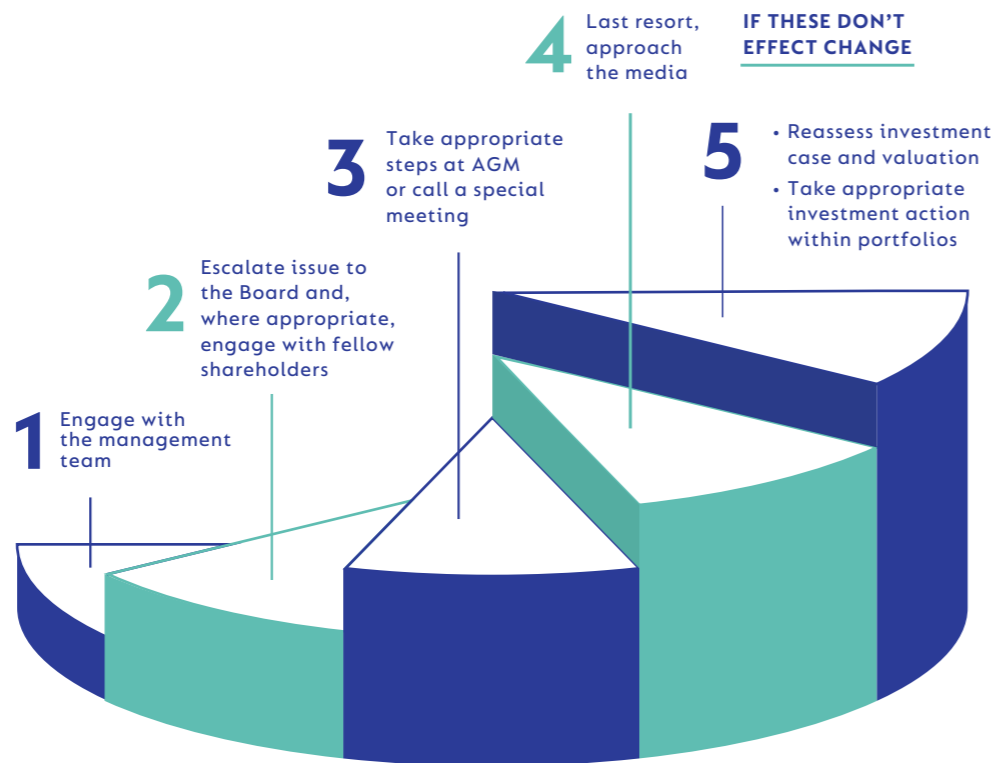
HOW WE MONITOR INVESTEE COMPANIES

Coronation is an active shareholder and we engage with management and boards in executing our fiduciary responsibilities, including through calls, in-person meetings, letters and written statements expressing our views. Given the differing nature of companies' underlying business models, our research analysts treat business and ESG issues on an individual case-by-case basis. We focus on the material ESG issues that are considered highly likely to affect corporate performance and sustainability and, ultimately, investment performance. We will engage on any aspect of E, S or G, as required, with the intention of driving the change we feel will be most beneficial for shareholders in the long run. This is fully integrated into our investment process and is an important part of the investment case.

When there are specific concerns, our first approach is to engage with management. If this fails to deliver the appropriate action, we then escalate the issue to the Board. Where appropriate, we also engage with fellow shareholders to garner support and apply more pressure for change. 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. As a final action, where appropriate, we may approach the media. If our best efforts are unsuccessful, then we will reassess our investment case and valuation and take the appropriate investment action in our portfolios.

Our role is not to get involved in the day-to-day management of a business, but to express concerns we may have over business strategy, especially if we believe the company's approach could result in significantly lower earnings, impact cash flow for an extended period of time or compromise shareholder returns in any way. Our engagement process focuses on the most material issues a company must address and can be broken down into three main categories:

Levels of engagement



In 2018 we voted on

5 182

resolutions at

429

meetings.

Key engagement drivers

ENGAGEMENT CATEGORY	AIM	SAMPLE ISSUE
Unresolved ESG issues that can have a material impact on the investment case	Ongoing engagements help us to quantify the impact of uncertain variables on our valuations, bolstering the basis of our investment decisions	Carbon emissions: Carbon tax legislation, outstanding legal claims relating to health and safety risks, and changing environmental regulations
Corporate stewardship and ESG issues	Ongoing engagements that provide insight into what companies are doing to protect the sustainability of their business and the environment in which they operate	Discussions relating to capital allocation strategy: <ul style="list-style-type: none"> • Board composition in terms of skills and diversity • Remuneration policy and alignment with key performance indicators for senior management
Specific corporate transactions that require shareholder approval.	Ad hoc engagement to address specific issues as they arise	The business rationale for a deal (before it is approved) such as: <ul style="list-style-type: none"> • schemes of arrangement • share acquisitions – the sale of a material portion of the business • ad hoc share-related issues such as specific repurchase

On the ESG front, our engagement process involves discussions on several topics, including but not limited to governance, 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 of its everyday operations. A company's awareness of these affairs and its willingness to address them in a formal, proactive manner indicate that the business is committed to be a good corporate citizen and to protecting its sustainable long-term value.

The issues that we engage on are often complex and sometimes require multiple discussions with the relevant companies. Our ultimate intention is to drive the change we feel will be most beneficial for shareholders in the long run. We find that a strategy of constructive, behind-the-scenes engagement directly with a company is far more productive than debating issues at a public AGM or through the press. Conversely, a strategy of merely selling out of companies without any engagement does not address societal needs and merely shifts the burden elsewhere.

As our report outlines, during the last year we have conducted 251 engagements with 100 companies covering a range of issues. We made voting recommendations on 5 182 resolutions at 429 meetings. Additionally, Coronation engaged with key stakeholders, such as leading investment associations, regulators and government bodies to support an effective financial services industry. Our efforts are underpinned by our ESG Policy and Proxy Voting Policy, which have recently been reviewed and updated with input by our investment team, who drives our longstanding practice of integrating ESG factors into our investment process. We will publish this Stewardship Report annually to keep our stakeholders informed of our stewardship activities, including examples of material ESG issues that have arisen during the year, and outline our efforts to promote the long-term sustainability of our investments.

Further information on our approach is outlined in Coronation's ESG Policy and our Proxy Voting Policy, available in the Stewardship section of our website: www.coronation.com.

Stewardship in practice

ACTIVE OWNERSHIP AND ENGAGEMENT

We actively engage with all entities that we analyse as part of our investment universe. We ensure that our active ownership is fully aligned with our ESG approach. Engagement with our underlying investments takes place via a variety of methods, including proxy voting, in-person meetings and formal correspondence – mainly independently but when needed, in collaboration with other investors.

Whether we engage with a company on our own or collaboratively, we typically do not disclose the company's name publicly as it has been shown to negatively impact dialogue and the ultimate outcome. ESG integration refers to the methods by which our investment team incorporates ESG factors into their investment analysis and decision-making process. These factors can be important to both the team's assessment of an asset's quality and its valuation.

For the team, responsibility and accountability for the analysis and integration of ESG factors, investee company engagement and proxy voting rests with each investment professional and the head of the team. Integration and engagement are mutually reinforcing; company analysis drives engagement and engagement outcomes influence the analysis.

Engagement with company management is a fundamental part of our active investment process. Through engagement we seek to highlight areas for potential improvement and risk reduction, encourage improved disclosure on ESG issues and commend entities that are making progress in these areas. Additionally, proxy voting is important and a core part of our stewardship responsibilities.

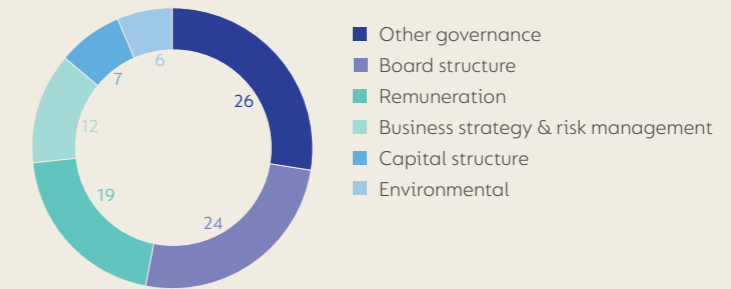
All company engagements are documented in a central engagements database which records the details of who participated, the event or issue that sparked the engagement, Coronation's concerns or objectives, the company's response and how the issue was resolved. Depending on the situation and context, an effective company response could be providing Coronation with more information or clarification on an issue, accepting the validity of our concerns, agreeing to make modifications to their business or policies, or making other commitments to address the issue.

ENGAGEMENT ANALYSIS

KEY ENGAGEMENT THEMES

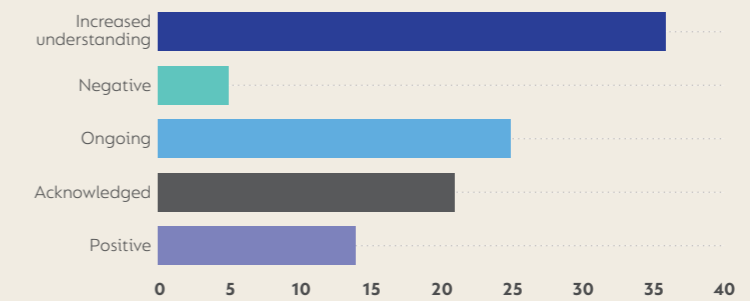
As illustrated by our engagement statistics, Coronation emphasises the importance of corporate governance issues. Our team focuses significant attention and time on governance issues that will have the most meaningful impact on a company's long-term prospects. Over the past year, remuneration was a key governance issue for Coronation, with our research analysts conducting a total of 58 engagements on remuneration topics. Responsible investing is a dynamic environment, and our ESG process has been enhanced and adapted over the years as we have taken learnings on board. Recently, it has been tightened to include additional governance requirements involving mandatory audit firm rotation every 10 years and increased scrutiny of the tenure and capability of directors.

ENGAGEMENT BY CATEGORY (%)

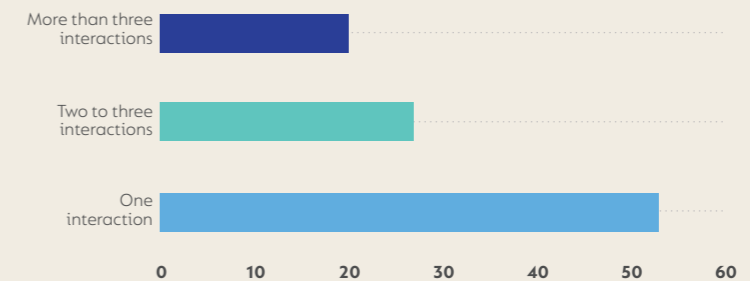


Of these engagements, several were multi-issue engagements, where analysts discussed more than one ESG topic with a company, resulting in the total issues addressed exceeding the total number of company engagements. In addition, many of our engagements span several years, which is consistent with our long-term investment horizon and focus on maximising long-term shareholder returns.

RESULTS OF ENGAGEMENT (%)



NUMBER OF INTERACTIONS WITH A COMPANY (%)



Source: All data from Coronation



Engaging for good

We engage across asset classes, sectors and regions on material ESG issues.

COMPANY
GLENCORE

COUNTRY
DEMOCRATIC REPUBLIC
OF THE CONGO

COMPANY
NASPERS

REGION
SOUTH AFRICA

ISSUE



CORRUPTION

Glencore is a global diversified mining and resource trading company. Over the years various allegations have been made against the company's practices, especially its dealings in the Democratic Republic of the Congo (DRC). On 2 July 2018 the company notified the market that the US Department of Justice (DoJ) had requested information and documents relating to the Foreign Corrupt Practices Act as well as US money laundering rules, specifically with reference to the DRC, Nigeria and Venezuela. It was intimated that this related to dealings with intermediaries in these markets.

Action

To better understand the allegations, the investigative process and the company's responses, we arranged a number of calls with legal experts, past employees of the DoJ, past and current employees of Glencore, the Group Chairman and Glencore's legal counsel.

We interrogated the dealings in the DRC that resulted in Glencore controlling the Katanga mining operation; their co-ownership structure with Geca Mines; the government's mining investment company; and the involvement of Dan Gertler, who has been sanctioned by the US Treasury and his US assets frozen under the Magnitsky Act.

We have increased our understanding of the jurisdiction of the DoJ, potential penalties and fines for the company, and the possible corrective action that would need to be followed in the

event of a finding that the company is at fault. We have spent significant time interrogating how the company has evolved from its days as an unlisted player to where it is today and the vastly differing layers of governance that are now in operation.

Outcome: Sold our position

The ownership structure has been restructured and resolved in a manner which is no longer in contravention of US regulations and a number of senior executives have been replaced. The investigation into the past practices is, however, still ongoing.

There was a significant operational and personnel restructuring process, aligned with the new governance structures; and a change to the model of relying on intermediaries and third parties in politically sensitive regions. They have introduced far higher levels of compliance into the trading business, in particular a compliance team that monitors the trades in this division.

We sold our shares in Glencore around the time of the DRC allegations, given ESG concerns as well as a lack of margin of safety in the share price. Since then, our investigations to date have revealed an organisation that has recognised much of its past practices needed to change, and that has implemented appropriate controls. However, a degree of uncertainty remains, precluding us from making a material investment in this company.

ISSUE



REMUNERATION POLICY AND IMPLEMENTATION

ACTION



During 2017 and 2018, Coronation engaged extensively with Naspers management and the company's Board of Directors around their remuneration policy, the implementation of the policy and the corresponding disclosure provided to stakeholders in their annual report.

Our initial engagements in 2017 focused on ensuring that the incentivisation of senior management (in particular the CEO) were appropriately aligned with shareholders and were linked to parts of the business that management had direct control over. Furthermore, we stressed the need for improved disclosure around performance criteria and targets that were being used to incentivise management. Finally, we also emphasised that, to avoid dilution from the issuance of Naspers shares to staff, we would like Naspers to implement a share buy-back programme in order to neutralise share options awards made to management. Our concerns were acknowledged by the Human Resources and Remuneration Committee, who pledged that these issues would be addressed going forward.

In 2018, we observed a significant improvement in all of the aforementioned issues: the CEO's remuneration package was structured with a greater emphasis on the performance of the non-Tencent assets within the group, remuneration disclosures were dramatically improved, and the company resolved to implement a formal share-buyback programme to neutralise the dilution impact from the

various staff share option schemes. However, we nevertheless decided to vote against the remuneration policy given our concerns around the continued use of long-dated share options to incentivise senior management and the large potential pay-off profile that such options could lead to. We communicated these concerns to the Board who committed to relook at tools used to incentivise management going forward.

Action

Letters to the Board and extensive engagement with management.

Outcome: Positive

Our constructive engagement led to the improved alignment between shareholders and management incentivisation packages together with the implementation of a formal share buy-back programme to avoid shareholder dilution resulting from staff share option schemes. We also observed significant improvements in remuneration disclosure. Finally, the Board have committed to revisit the remuneration tools they use to incentivise management away from long-dated share options that could lead to excessive remuneration.



COMPANY

THE RESILIENT GROUP OF COMPANIES

COUNTRY

SOUTH AFRICA

ISSUE



IRREGULARITIES AND CORRUPTION

2018 was marked by a rash of allegations by various parties against these interlinked companies and their management teams. This was followed by an across-the-board collapse in their share prices and the unwinding of holdings, inter-relationships and various black economic empowerment (BEE) structures. Coronation did not have significant exposure to the group, with the only meaningful holding being a 23% stake in the low-risk Fortress 'A' shares, which, due to their structure, are guaranteed a return and were not significantly affected by the allegations.

ACTION



Following these allegations, the Financial Sector Conduct Authority (FSCA) launched a number of investigations into potential insider trading, market manipulation and misleading accounting practices. While Coronation's exposure was minimal, after a period of time where no further information was forthcoming, a number of smaller institutions approached us to assist with a process to ensure that all concerns, known and unknown, were fully aired and appropriately dealt with. The shareholders wanted to ensure any potential irregularities and inappropriate actions were comprehensively dealt with to enable investors to continue to invest with confidence. In the interests of improving transparency and trust in the market, Coronation agreed to assist.

Action

Coronation contacted major South African shareholders and co-wrote and co-signed a letter to the boards of the affected companies in the Group. The letter urged them to co-operate and to apply a number of steps to help clear their names and ensure all potential claims were unearthed.

Outcome: Positive

There was a mixed response to the letters, with some companies' boards wholeheartedly endorsing the process and engaging with all stakeholders, while others were less responsive. The end result was a significant increase in the level of engagement between these companies and their investors. Most of the companies we contacted followed up with conference calls with all interested parties, as well as one-on-one meetings with the signatories to the letters.

Ultimately, while we did not manage to achieve everything we asked for, we have seen the clean-up progress, with most of the cross holdings having been unwound and no further claims of a concerning nature arise. We believe this has significantly improved the investment prospects of some of these companies going forward.

COMPANY

GROWTHPOINT

COUNTRY

SOUTH AFRICA

ISSUE



GREEN BOND ISSUANCE



In early 2018, Growthpoint started exploring coming to market with a corporate green bond issuance as part of their sustainable development objectives. A green bond is a bond where the proceeds are specifically used for the prevention of climate change or other environmental objectives. Growthpoint was well positioned for a green bond issuance given its investment in various buildings that had achieved Green Star ratings using various Green Building Council South Africa (GBCSA) rating tools.

As at January 2018, Growthpoint had 85 GBCSA-rated buildings with a property value of R16.1bn. The market for green bonds in South Africa had, prior to this, been relatively untested for corporate issuers and the success of the issue would depend on being able to address the sustainable development objectives without compromising on credit risk and introducing significant complexity.

Action

In early 2018, we discussed our appetite for such an instrument and to address issues around credit risk, structure and pricing, and how the company could adjust the terms to make the bond more favourable for investors.

We assisted Growthpoint to define the following criteria for the bond issue:

- ▶ Proceeds of the green bond would be used exclusively to finance or refinance

new and existing green properties, with initial funding projects identified.

- ▶ Assurance would be provided by the GBCSA that the buildings for which the proceeds were being used were classified as green.
- ▶ Proceeds would be tracked using Growthpoint's property management system and assurance would be provided via the company auditors.
- ▶ Growthpoint further committed to report annually on the various green components of the green buildings for which the proceeds were being used.

Outcome: Positive

The structure above reduced the need to have the buildings transferred to a separate entity and have another green rating provider involved in the process. This ultimately reduced the cost and complexity of the issue, while providing enough comfort for capital market participants.

It is important to note that while the proceeds would be used specifically for green building funding, the credit risk exposure was still to the entire Growthpoint Balance Sheet. We made a significant investment into the bonds, purchasing approximately 31.4% of the 10-year issue. This offered particular value given the underlying credit risk and additional sustainable development benefits.



COMPANY
STEINHOFF GROUP

COUNTRY
SOUTH AFRICA

ISSUE



FRAUD AND CORRUPTION

On 6 December 2017, Steinhoff Group alerted the market to accounting irregularities that had been discovered and that its auditors had refused to sign off its accounts. This was shortly followed by the resignation of its chief executive officer and chief financial officer. It soon became evident that a significant and material accounting fraud had been perpetrated inside the organisation over the course of many years. In order to ensure the full facts come to light, we had a number of engagements with the Board of Steinhoff:

ACTION



Action

- ▶ We engaged with independent directors to understand who was implicated, and to raise reservations about board and executive members that remained at Steinhoff, as well as to try and gain an understanding of the scale of the issues and the investigation to be undertaken.
- ▶ We wrote a letter to the Board exhorting them to improve the governance structures by appointing additional independent non-executive directors.
- ▶ Following on from the letter written above, we proposed two potential candidates who were prepared to join the Board. These directors were later nominated and voted onto the Board as non-executives.
- ▶ Organised a meeting between a number of institutional investors and the non-executive Board members to discuss progress on the

investigation and proposals for potential CEO replacement given the Group was operating under an interim CEO.

- ▶ An additional letter was written to the Board expressing our continued concern around certain non-executive directors who remained on the Board, concerns around the continuing appointment of Deloitte as auditor and outlining how we would not be voting in favour of the proposal for additional remuneration for Board members given the increased workload.

Simultaneously, we began investigating, at our own cost, the various class actions and other legal remedies that were available to determine which would be the most appropriate legal route for investors to use in our efforts to recoup some of the losses incurred from the fraud. The investigation included a thorough legal due diligence into the various legal remedies available, as well as the regions in which we could pursue legal action. Ultimately, we, along with the majority of other South African institutional investors, settled on the BarentsKrans class action that will be instituted in the Netherlands.

Outcome: Sold

After the release of more information about the financial position of the group in May 2018, we concluded that there was no longer value in holding the Steinhoff position and we sold out of our holdings.

COMPANY
YES BANK

COUNTRY
INDIA

ISSUE



CEO APPOINTMENT AND ENGAGEMENT WITH FEUDING PROMOTER GROUP

Mr Rana Kapoor was one of the founders of Yes Bank and served as CEO up until January 2019. The co-founder of the group, Mr Ashok Kapur, died during the Mumbai terrorist attacks of November 2008. His widow, Mrs Madhu Kapur, has over the years challenged the bank to acknowledge the rights she and her family inherited as a founding promoter. In June 2018, Mr Kapoor was re-nominated by shareholders at the AGM to serve another three-year term as CEO. This position was subject to Reserve Bank of India (RBI) approval.

In August 2018, the RBI announced the approval would not automatically be granted, however it was still assumed he would eventually be approved. On 21 September 2018, the RBI announced he would not be approved and that he should vacate his position by 31 January 2019. Although no official reasons were given for the refusal to grant the extension, talk in the Indian market was that the communication to Yes Bank highlighted a weak compliance culture and poor governance as the reason behind this refusal. The share price declined 30% on this news.

Action

Within a day of the announcement, Coronation wrote a letter to Yes Bank's Board of Directors expressing our concerns, highlighting:

- ▶ issues regarding compliance and the historically high divergence between the Bank's non-performing loans statistics

- ▶ and those determined by the RBI in the annual audit at financial year end;
- ▶ the gravity of the issue was material and that a clean break from the past was required to ensure a recovery in the Bank's prospects;
- ▶ our view that the best way to achieve this clean break would be an outside CEO as a replacement for Mr Kapoor; and
- ▶ the importance of an end to bickering between Mr Kapoor's promoter group and the family of Ms Madhu Kapur.

Result: The Board established a search and selection committee to look for a new CEO and made it clear they would consider internal and external candidates.

- ▶ On 26 September, the portfolio manager held a call with Mr Rajat Monga, the MD of the bank, articulating Coronation's concerns.
- ▶ A call to clarify a) the right of the feuding promoter's family to nominate members of the Board; and b) to stress the need for Board expansion as part of succession planning.

Result: The bank nominated Mr Monga and Mr Pralay Mondal (Head of Retail) to the Board to serve in an executive capacity, subject to RBI approval.



COMPANY

YES BANK

COUNTRY

INDIA

On 14 November, the Chairman of the Board and the Head of the Audit Committee resigned, followed by the external member of the Search and Selection Committee due to an apparent conflict of interest. (He served on the board of Standard Chartered India and a candidate from Standard Chartered was being considered.) We pressed management to accelerate the process and ensure timelines were adhered to as we had concerns that these additional resignations would hijack the process.

Result: Additional board members were nominated and assumed their positions.

On 19 December, in a meeting with Board members Mr Ajay Kumar, General Mukesh Subrawal (retired) and Mr Subash Kalia, we reiterated our concerns and desire to have the succession issue resolved.

- ▶ The Board announced they had sent the list of candidates in order of preference to the RBI for approval in early January 2019.
- ▶ In early February 2019, the company announced that Mr Ranveet Gill, the MD of Deutsche Bank in India, had been approved by the RBI to take over as CEO on or before 1 March 2019. It announced results for the December quarter on the same day and made further additions to the Board.

- ▶ On 13 February 2019, the Bank announced they had received positive feedback on their account classifications of NPLs from the RBI with no material divergences. The share price rallied strongly on the release of this news.

Outcome: Positive and ongoing

We believe that our active approach to engagement played a positive role in the resolution of this process for all shareholders. The Bank responded to our lobbying and followed our recommended course of action in terms of strengthening of the Board and the desire for an external candidate. Additionally, the promoter groups have been in talks to de-escalate tensions and jointly select Board members. This process has been made easier by the end of Mr Kapoor's tenure as CEO as part of the tension was due to personal animosity between the families of the founding promoters.

COMPANY

ECONET WIRELESS

COUNTRY

ZIMBABWE

ISSUE



CORPORATE TRANSACTIONS

In November 2018, Econet released a circular proposing the following:

1. Conversion of debentures to equity
2. To split EcoCash from the telcon and list it separately on the Zimbabwe Stock Exchange with the new entity's name being Cassava Smartech
3. Disposal of their stake in Liquid Telecom Zimbabwe in exchange for shares in Liquid Telecom Holdings

ACTION



Action

- ▶ The Global Frontiers team engaged with the Finance Director over a call on the above to understand the position of the company on each of the transactions.
- ▶ In-person meeting with the CEO of Liquid Telecom aimed at better understanding the economics of the deal for Econet minorities.
- ▶ At shareholder meetings we also engaged with Old Mutual Zimbabwe and Allan Gray (the two largest minority investors) to better understand their view on the transactions and to share our view.

- ▶ We wrote a letter to the Board of Econet and to the Zimbabwe Stock Exchange outlining our issues with various elements of the circular and transactions proposed therein. While we received a response from the Board of Econet, it did not provide sufficient comfort to vote in favour of all the transactions in the circular.

Understanding the main issues:

1. The debenture conversion

This could allow Econet Wireless Global (EWG) to increase their stake in the business at the expense of minority shareholders. EWG owns 42.6% of the shares but owns 56.3% of the debentures. This conversion will see EWG's shareholding in Econet increase to 46.7%.

This will result in significant value dilution for shareholders. The number of shares in issue will increase by more than 40%. The price at which the conversion takes place (only \$0.05) is extremely dilutive relative to the ruling price of more than \$2.00 per share when the deal was announced.



COMPANY

ECONET WIRELESS

COUNTRY

ZIMBABWE

When the debentures were issued, the unattractive nature of the debentures meant that some shareholders could not follow their rights. We believe that it was inappropriate to subsequently change the nature of these debt instruments into equity instruments, and in doing so giving EWG a larger stake in the business.

Action: Coronation discussed the matter with other shareholders and voted against the resolution.

2. Unbundling of EcoCash into Cassava Smartech

Coronation supported the unbundling of the mobile money business but were against the issuing of 2% of the company's shares to the founder at no cost.

Action: Coronation voted against this proposal. In addition to these transactions, we also voted against the re-election of directors to the Board as we believe the proposals from this Board of Directors had undermined our faith in their ability to act in the best interest of minority shareholders. We therefore did not feel it would be appropriate to vote in favour of their re-election.

Outcome: Positive and ongoing

The founder declined the 2% of Cassava Smartech that would have been offered to him and the debenture conversion decision was postponed indefinitely.

Proxy voting

Exercising our clients' rights as owners of listed equities

One of the most effective ways of engaging with companies is by voting our proxies at annual and special meetings of shareholders. We exercise our voting rights in all the securities we hold. Proxy voting is just one of the ways we meet our stewardship responsibility of being an active owner and effectively convey our views to boards of directors and management. We make all of our proxy voting decisions independently and report on all our votes across the meetings we attend.

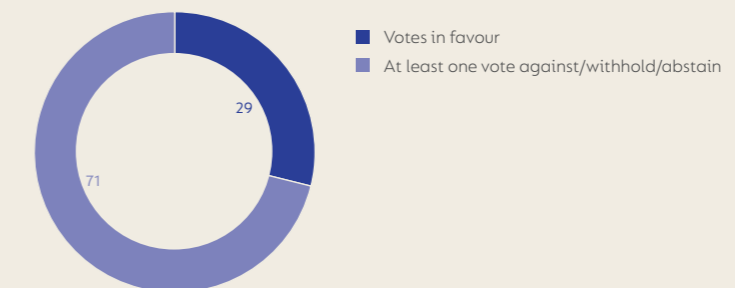
Constructive pre-emptive engagement and rectification is a far preferable outcome for all stakeholders over formulaic voting at general meetings. We seek to explain the reasons underlying our voting decisions before shareholder meetings in order to ensure that our concerns are dealt with proactively. Where companies we engage with fail to adequately address the matters raised, we will exercise our rights of ownership at shareholder meetings in an appropriate manner to drive the required change. We also constantly review our Proxy Voting Guidelines and principles to ensure that we keep abreast with best practice.

Our voting records are published online and provided to clients upon request.

GLOBAL BREAKDOWN OF DISSENTING VOTES ON A PER RESOLUTION BASIS (%)



TOTAL SHAREHOLDER PROPOSALS (%)

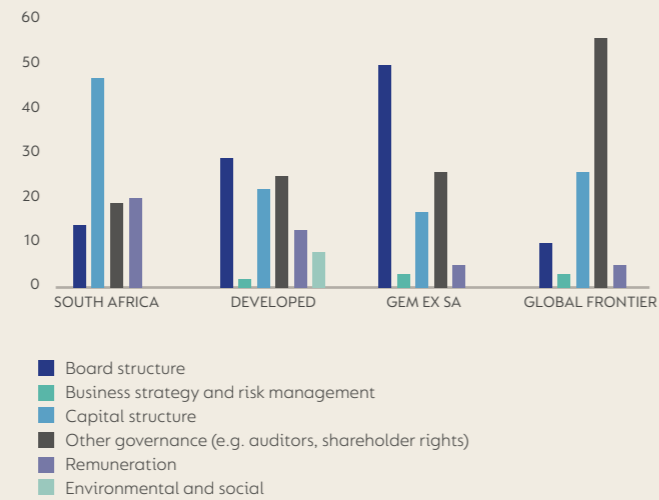


Source: All data from Coronation

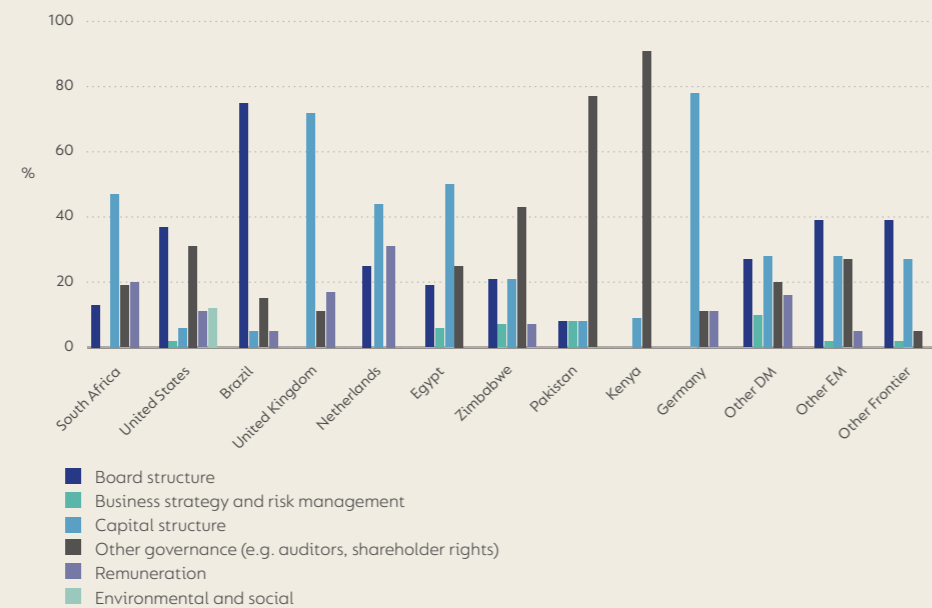


Proxy voting per region

DISSENTING VOTES ON A PER RESOLUTION BASIS BY REGION (%)



DISSENTING VOTES ON A PER RESOLUTION BASIS BY COUNTRY (%)

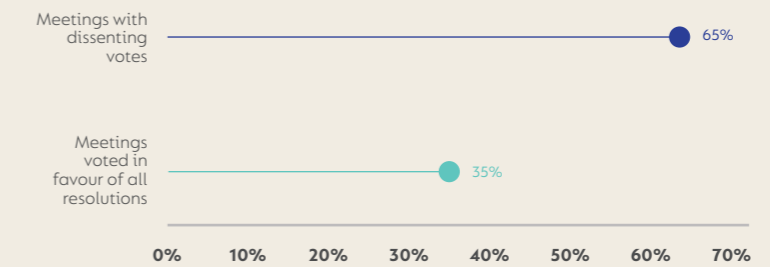


Source: All data from Coranation

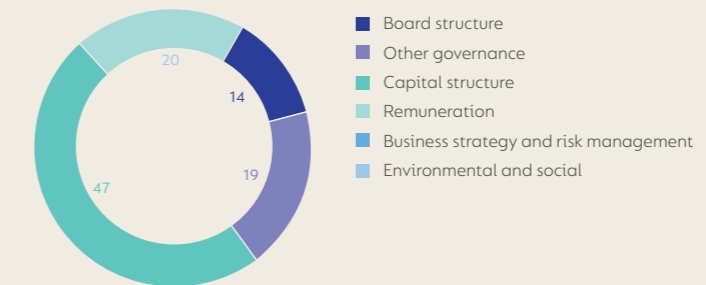
SOUTH AFRICA

During the period, we made voting recommendations on 2 904 resolutions at 184 meetings, of which 119 votes were against the proposed resolutions.

HOW WE VOTED (%)



DISSENTING VOTES ON A PER RESOLUTION BASIS (%)

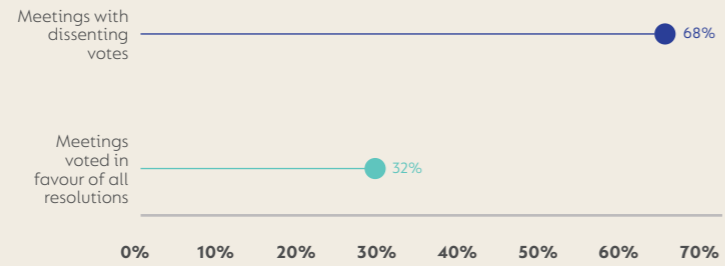




DEVELOPED MARKETS

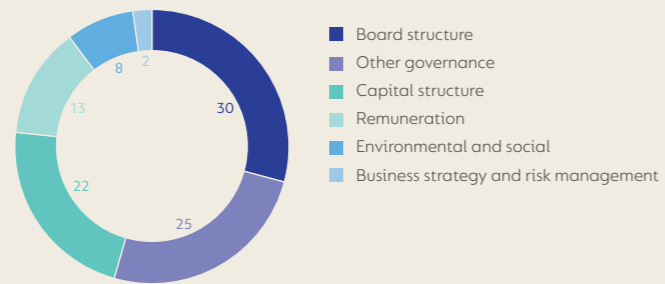
During the period, we made voting recommendations on 1 098 resolutions at 90 meetings, of which 61 votes were against the proposed resolutions.

HOW WE VOTED (%)



Source: All data from Coronation

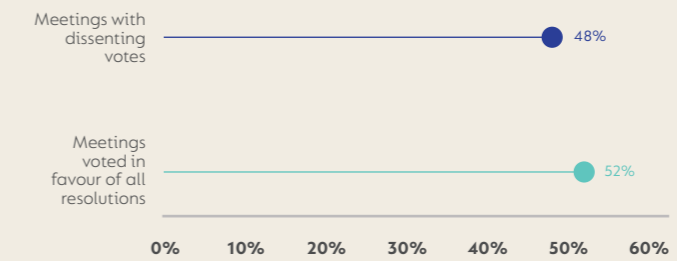
DISSENTING VOTES ON A PER RESOLUTION BASIS (%)



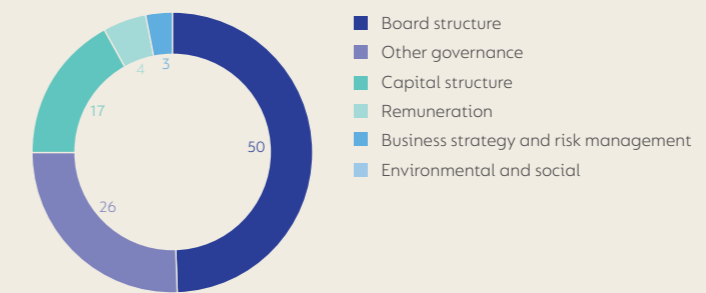
EMERGING MARKETS (ex-South Africa)

During the period, we made voting recommendations on 525 resolutions at 58 meetings, of which 28 votes were against the proposed resolutions.

HOW WE VOTED (%)



DISSENTING VOTES ON A PER RESOLUTION BASIS (%)



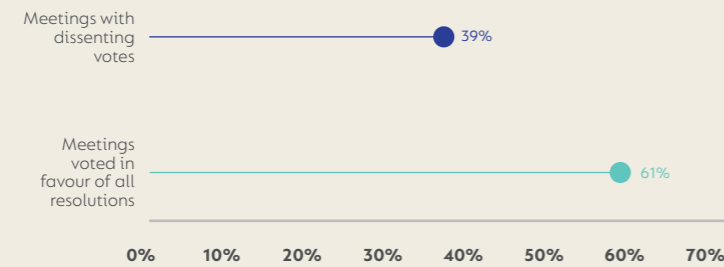
Source: All data from Coronation



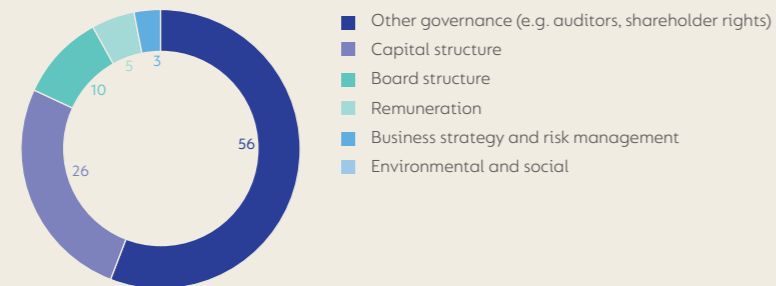
GLOBAL FRONTIER MARKETS

During the period, we made voting recommendations on 655 resolutions at 97 meetings, of which 38 votes were against the proposed resolutions.

HOW WE VOTED (%)



DISSENTING VOTES ON A PER RESOLUTION BASIS (%)



Source: All data from Coronation

Engagement with other stakeholders

We are an active member of global and industry initiatives and will look to expand our involvement in the years to come.



The Association for Savings and Investment South Africa

ASISA plays a significant role in the development of the social, economic and regulatory framework in which its members operate. Members include financial services companies that provide products and services to the personal investment sector. ASISA is the primary channel through which Coronation engages with policymakers and regulators. During the reporting period, Coronation employees participated in the ASISA Board, seven Board committees, 20 Standing Committees and 36 Working Groups. Through participation in these forums we continue to play our part in shaping South Africa's financial services landscape, together with colleagues from across the financial services industry.



Code for Responsible Investing in South Africa

Coronation participated in the process of establishing CRISA and fully supports the five principles, which stress the importance of integrating sustainability issues, including ESG, into long-term investment strategies and provide guidance on how institutional investors should execute investment analysis, investment activities and exercise rights so as to promote sound governance.



The Investment Company Institute

We are a member of ICI, the leading association representing regulated funds globally, including mutual funds, exchange-traded funds, closed-end funds, and unit investment trusts in the United States, and similar funds offered to investors in jurisdictions worldwide. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. As at 1 June 2019, ICI's members manage total assets of US\$23.1 trillion in the United States, serving more than 100 million US shareholders, and US\$6.9 trillion in assets in other jurisdictions. ICI carries out its international work through ICI Global, with offices in London, Hong Kong, and Washington, DC.

UK Stewardship Code

We support 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.

Signatory of:



Principles for Responsible Investment

In 2007, Coronation was an early signatory of the United Nations-backed Principles of Responsible Investment, one of the first 10% of asset managers globally. This has helped to develop our understanding of ESG issues, and we use its reporting framework to monitor our progress.

Consultations with legislative bodies and regulators

We are in regular contact with our South African regulators in the ordinary course of business. We think this is important given the current and pending significant changes to our regulatory landscape. We will consult directly to the extent that we believe it is necessary to augment our participation in formal industry engagement through ASISA or other organisations.

During 2018, we participated in a public hearing held by the South African Parliament's Standing Committee on Finance to highlight our concerns with proposed tax law amendments that was in our view detrimental to the interests of investors in South African regulated funds. The proposed amendments were subsequently removed from the draft legislation to allow further research and consultation to take place.

Participation in business associations

Coronation is a member of South Africa's CEO Initiative, a group of CEO's working with government and labour to resolve the social and economic challenges facing the country. During the period, we joined Business Leadership South Africa (BLSA), which is an independent association whose members include the leaders of some of South Africa's largest businesses. Its main strategic objectives include promoting inclusive growth and protecting and strengthening South Africa's core institutions. Coronation has committed itself to BLSA's integrity pledge, which is a public declaration of our commitment to combat corrupt practices by, inter alia, not acting anti-competitively and by protecting the anonymity of whistleblowers.

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