



## PROXY VOTING POLICY

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### 1. Background

#### 1.1. Purpose & scope of the Policy

Coronation's Proxy Voting Policy outlines the corporate governance principles we apply and our guidelines for voting on company resolutions on behalf of our clients. This Policy is underpinned by Coronation's long-term, valuation-driven investment philosophy, and must be read with Coronation's Environmental, Social and Governance (ESG) Policy. This Policy applies across our global investment universe and must be adhered to by all investment staff.

#### 1.2. Engagement prior to voting

Our engagements with investee company management and Boards occurs in different forms, such as telephone calls, in-person meetings, letters and written statements expressing our views. Coronation seeks to actively engage with company management and Boards on any issues which we believe compromise the long-term returns, sustainability of the business, rights of minority shareholders or the company's role as a responsible corporate citizen. Our overriding principle is that constructive pre-emptive engagement and resolution is preferable to formulaic voting at general meetings without such prior engagement.

In the ordinary course of exercising our proxy voting mandates on behalf of clients, the research analyst covering the stock will consider the merits of each individual resolution, taking ESG considerations into account, prior to the voting deadline. The research analyst will consult with other members of the investment team, as required. The investment team is a large and experienced group of professionals with a deep knowledge of industries, asset classes across multiple geographies and associated material ESG risks and opportunities. Their analysis is complemented by insights from specialist third-party research providers and incorporated where considered beneficial. As required, Coronation engages with company management and Boards in advance of the shareholder meeting, which may be either Annual General Meetings ("AGM") or ad hoc general meetings (collectively "shareholder meetings"), to provide the company the opportunity to provide appropriate explanations or amend resolutions.

Where companies we engage with fail to address our concerns appropriately, we will exercise our clients' rights of ownership during the shareholder meeting in an appropriate manner to drive the required change. Generally, Coronation opts to vote by proxy.

### 2. Corporate Governance Principles

In this section of the Policy, we outline our high-level corporate governance principles. We believe that good corporate governance enhances long-term shareholder value, and therefore Coronation has a fiduciary duty to its clients to ensure, as far as possible, that the companies in which we invest are committed to adhering to sound corporate governance principles. In keeping with this commitment, Coronation endorses the King IV Corporate Governance Code. In addition, we support the United Nations supported Principles for Responsible Investment (PRI), the South African Code for Responsible Investing (CRISA) and the UK Stewardship Code (for more information on how we apply these, see our ESG Policy).



Coronation has significant expertise in corporate governance and we believe that dedicating significant time to studying the corporate governance of the companies we invest in will have a meaningful impact on assessing a company's long-term prospects.

## 2.1. Directors

- **Election/re-election of directors**

With respect to the election and re-election of directors, Coronation considers the:

- Board diversity and effectiveness, including the experience and independence of the Board as a whole
- Independence of directors / Chair (terms > 9 years receive critical consideration)
- Relevant experience, knowledge and skills of any new proposed directors Past attendance record of directors
- Number of outside directorships held by any Board member

- **Coronation representation on the Boards of Companies**

Coronation believes that it should preserve the independence and flexibility of its investment team and process. Therefore, representation on the Boards of listed investee companies by employees is not encouraged and will only be considered in exceptional circumstances. Prior approval must be obtained from the Chief Investment Officer, Chief Executive Officer and the Chief Compliance Officer.

The circumstances under which we would consider Board representation in relation to an investee company are narrow. We would only do so where such an appointment is of a short-term nature in order to achieve a defined objective, which is considered to be in the best interests of Coronation's clients.

Should circumstances require Coronation to be represented on the Board of a publicly listed company, the employee, and therefore Coronation, will be declared an "insider" in accordance with Coronation's Insider Dealing Policy.

## 2.2. Remuneration

Levels of remuneration should attract, retain and incentivise executive directors, key management and staff in a manner which:

- Supports value creation for stakeholders in a manner that is fair, responsible and transparent; and
- Is aligned with the best long-term interests of shareholders.

Given that remuneration has implications for corporate performance and shareholder returns, this is an area in which shareholders have a valid role to play in reviewing, challenging and approving remuneration policies that must have been set by formal and independent procedures.

Items Coronation consider are:

- Detailed disclosure (in line with JSE or equivalent requirements) of remuneration, particularly where the company does not have a majority independent board



- The independence of the company's Remuneration Committee and the rationale for its recommendations
- Whether compensation is reasonable, especially with respect to:
  - The total compensation of senior executives per annum
  - "Golden parachutes" for early termination of service or if triggered by a takeover Executive severance pay
  - Duration and the structure and alignment of long-term incentives

### 2.3. Appointment of auditors

The audit process must be objective, rigorous and independent to maintain the confidence of the market. Coronation considers any issues that may have compromised the audit firm's independence and objectivity with respect to the company over the previous year. We apply a hard rule requiring audit firms to rotate after a 10-year term.

### 2.4. Empowerment, in relation to South African listed companies

Under South African law, companies are obliged to comply with the following legislative instruments:

- The Skills Development Act (SDA) 1998 and SDA Amendment Act 2008, which seeks to provide an institutional framework to devise and implement national, sector and workplace strategies to develop and improve the skills of the South African workforce;
- The various sectoral charters which aim to promote a transformed, vibrant, and globally competitive South African economy, reflecting the demographics of South Africa and establish an equitable society by effectively redressing the injustices of the past through economic inclusion.
- Employment Equity Act (EEA) 1998 and EEA Amendment Act 2013, which, amongst other things, seek to eliminate unfair discrimination in employment, to ensure the implementation of employment equity to achieve a diverse workforce broadly representative of South Africans, and to promote economic development and efficiency in the workforce.

Coronation considers a company's adherence to the above, and in particular the employment equity plan and reporting on empowerment with specific focus on:

- Shareholders
- Board of Directors
- Executive and senior management
- Staff/labour force
- Suppliers/Contractors

### 2.5. Shares in Coronation Fund Managers Ltd ("CML Shares")

From time to time, it is conceivable that a client's segregated portfolio may hold CML Shares. Under these circumstances, the relevant portfolio manager will apply this Policy to the CML Shares in the same way as he/she would to any other investee company when voting on resolutions.

However, given the perception of an inherent conflict of interest between the interests of the segregated client and the portfolio manager/Coronation, a segregated client that holds CML Shares in its portfolio will (i) be notified in writing of the portfolio manager's proposed votes on the CML Shares in advance of the votes being cast, and (ii) be afforded an opportunity to instruct the portfolio manager to change the vote in accordance with the segregated client's written instructions.



### 3. Proxy Voting Guidelines

#### 3.1. Using the guidelines

Coronation's proxy voting guidelines build on our corporate governance principles and provide a reference point for analysing resolutions put forward at shareholder meetings and for formulating voting recommendations. Coronation does not adopt a prescriptive approach to voting, and these guidelines are not rigid rules. Our fiduciary duty to investors requires us to examine each proposed resolution and the context in which it applies. Therefore, when voting on behalf of clients, Coronation considers, on a case-by-case basis, those factors that are in the best interests of clients and those which, in our view, may negatively affect the value of clients' investments. For this reason, there may be instances in which shares may not be voted in strict adherence to these guidelines.

#### 3.2. Voting process

Coronation considers and ensures voting occurs on all proxies for all companies in which we hold shares on behalf of our clients. We may, on occasion and where considered appropriate, outsource limited aspects of our proxy voting to third party advisors or service providers, in which case they shall be managed by us in accordance with agreed service deliverables and appropriate oversight.

Except in certain exceptional circumstances, Coronation's votes, on behalf of its clients, are not committed in advance and unconditionally to third parties and are not placed in voting pools that bind the clients to predetermined voting positions or obliges clients to follow the "common" consensus in voting.

*Coronation's voting process is as follows:*

The AGM or General Meeting Notice is received by our Implementation Team:

- Resolution details are captured into the voting system and allocated to the relevant research analyst.
- Research analyst reviews required resolutions and performs appropriate analysis and engagement to finalize conclusions on voting. Adequate research is critical to ensure Coronation is adequately informed when examining resolutions. The research analyst will engage with the senior members of the team at this stage, as required, and, if necessary, we will engage with the relevant company senior executives to understand the motivation for resolutions or obtain more detail on specific resolutions.
- Votes are recorded on the system which generates a report to the Chief Investment Officer and heads of research. At this stage, clients that wish to vote their own shares or have special interests are advised of our recommendation.
- Investee company is informed of any "No" votes and abstentions. In instances where Coronation decides to vote against management or abstain, the decision will be communicated to the management of the investee company together with an explanation for our decision with a view to persuading management, wherever possible, to withdraw or redraft the resolution. Abstentions should be avoided where possible as it is effectively a spoilt vote. We will only abstain where insufficient evidence or work is available to justify a conclusive yes or no vote.
- The voting record is published on our company website, including the particular resolutions tabled at investee company shareholder meetings, our voting action and the outcome of the resolution. The record will also be provided directly to clients upon request.



Coronation is open to collaboration with other institutional investors when voting on resolutions of investee companies. Coronation will, where necessary, approach other institutional investors to discuss any concerns we may have in relation to particular resolutions so that we can present a unified view with other institutional investors when raising concerns with the management of investee companies. In doing so, Coronation will exercise caution and take care to ensure that we do not breach any regulatory or legislative requirements or prohibitions in this regard, or inadvertently trigger any presumptions of acting in concert with other institutional investors.

*In general, Coronation's voting recommendations are as follows:*

**For** - The proposal reflects acceptable practice and is in the long-term interests of shareholders and other stakeholders of the company.

**Abstain\*** - Coronation will only abstain where due to lack of time and/or appropriate information we are not able to accurately assess the impact of a specific resolution.

**Oppose** - The proposal does not reflect acceptable practice and is not in the long-term interests of shareholders and other stakeholders of the company.

Any decision to vote against management or abstain is followed up by a letter or telephone call to management explaining the reasons for doing so, to the extent this has not already been addressed as part of pre-voting engagement with the company.

*\* Where relevant, Coronation's investment team will not abstain from proxy voting in respect of companies related to the Coronation group, as this may not necessarily be in the best interests of its clients. The proxy voting decision must be arrived at through the normal procedures in accordance with this Policy and must not be influenced in any way by management or directors of Coronation. To avoid any perceived conflicts of interest, non-investment team management and all Coronation directors are prohibited from discussing the matter with the investment team members tasked with arriving at the proxy voting decision.*

### Securities Lending

Under arrangements pertaining to securities lending, any voting rights attached to securities that have been lent out are typically lost. In circumstances where the client has reserved the right to request the recall of such securities should it wish to exercise its voting rights, it may do so provided that such request is provided timeously to Coronation in writing.

### Client Involvement

If Coronation requires its clients to consider the question of voting, sufficient information and clear motivation of Coronation's voting proposal will be timeously provided to the respective clients.

### Shareholder proposals

We will consider shareholder proposals, and we will support those that are likely to enhance long-term company performance, reduce risk to long-term performance or improve disclosure reasonably necessary to enable shareholders to assess their investment.

### Monitoring votes

Unusual or contentious issues or proposals not considered to be in the interests of shareholders, as well as any resolutions an analyst proposes to vote "Against" or "Abstain", must be discussed with the Chief Investment Officer and other senior investment managers well in advance of voting. In



addition, as a secondary check, if an analyst captures one or more votes of “Against” or “Abstain” in our in-house system prior to voting, the heads of research are notified by a system-generated email.

### Disclosure

Voting records are published on our company website, including the particular resolutions tabled at investee company shareholder meetings, our voting action and the outcome of the resolution. The record will also be provided directly to clients upon request.

## 3.3. Voting guidelines

### 3.3.a. Directors

- **Independent directors**

Boards are required to act in the best interests of the company. This can be best achieved by ensuring a sufficient number of Directors are independent. Board membership should comprise a balance of executive, independent and non-executive directors (with a majority of the non-executives to be preferably independent non-executives) who have broad experience, the right mix of skills, are suitably qualified and are able to act independently. Coronation supports resolutions that achieve this outcome.

- **Separate Chief Executive Officer and Chairman**

Coronation supports the election of an independent non-executive Chairman so that the Board represents the interests of shareholders, rather than executive management, and expects listed companies to adhere to the JSE listing requirements or equivalent in this regard.

- **Re-election of directors**

Coronation should consider opposing resolutions that re-elect a number of directors’ en-bloc, in favour of re-elections/appointments on an individual basis.

- **Term limits, retirement age**

We will assess the independence of any director who has served a term in excess of 9 years by considering criteria, such as, analyzing voting records, interviewing other board members and understanding the character of the individual.

- **Number of outside directorships held**

We will assess any director who holds in excess of 5 significant directorships by considering criteria, such as, an analysis of the board committees, the associated workload as well as any executive roles the individual may have.

- **Director compensation**

We believe that fees for non-executive Directors should be commensurate with their responsibilities, aligned with the long-term best interests of the company and at a level that makes serving as a non- executive director attractive to suitably qualified candidates.

### 3.3.b. Remuneration

We accept that the remuneration committee is best placed to assess the appropriate incentive structures to attract and retain the best talent for an organisation. However, we will assess the



remuneration policy, relevant KPIs and implementation report to ensure that the quantum of potential outcomes does not represent excessive remuneration. In addition, we look to ensure that appropriate targets are set and maintained for the various components of Short-Term Incentives and Long-Term Incentives (“LTIs”), where applicable, that LTIs are sufficiently long in duration to ensure proper long term focus and alignment with shareholders. We also encourage reporting that is sufficient to allow reasonable assessment of the outcomes.

### *3.3.c. Share capital*

- **General authority to place unissued shares under the control of the directors**

Coronation should consider opposing resolutions that place unissued shares under the general control of the directors, particularly if there is a risk of further issues diluting existing shareholders’ value. Any such actions should rather be specifically motivated to shareholders through calling a shareholders meeting as and when required.

- **General authority for the directors to issue shares for cash**

Coronation should consider opposing resolutions that provide directors with the authority to issue shares for cash, as further issues could dilute existing shareholders’ value. Coronation prefers a separate, specific resolution at the time of any further issue with the appropriate motivation provided by management, rather than providing management with a general control over the unissued shares.

- **Authority to repurchase shares**

In encouraging disciplined capital allocation, Coronation will support share repurchases which enhance shareholder value.

### *3.3.d. Corporate actions*

- **Dual Capitalization, Preferential Voting Rights**

Coronation should consider opposing proposals to divide share capital into two or more classes or to otherwise create unequal voting classes. The effect of these proposals, over time, is to consolidate voting power in the hands of relatively few insiders disproportionate to their percentage ownership of the company’s share capital.

- **Repricing or issuing of options at a discount**

Coronation should consider opposing proposals that allow for the repricing or issuing of options at a discount. However, repricing certain share options may align the interests of management and shareholders and there may be instances where shares may not be voted in strict adherence to this guideline.

### *3.3.e. Environmental and social issues*

We believe that companies that manage E and S factors responsibly are better placed to create sustainable value over the long-term than those who fail to do so. Appropriate company disclosure enables investors to better understand and evaluate potential risk and return, including the impact of environmental and social factors on a company’s long-term performance.



We review environmental and social-related shareholder proposals on a case-by-case basis. We do not support shareholder proposals if they are overly prescriptive or duplicative of initiatives already in place or underway or if they are likely to detract from long-term company performance.

Subject to the foregoing, we generally support:

- proposals that request the reasonable disclosure of information related to material environmental and social factors which assist shareholders in assessing potential investment risk and return (including specific environmental and social risks), the environmental and social impacts of a company’s operations and products, initiatives to mitigate environmental and social risks, and/or corporate sustainability reports, unless sufficient information is already disclosed and/or available to shareholders.
- proposals that request the adoption or review of responsible policies and/or practices with regard to environmental and social factors that are likely to enhance long-term company performance and/or mitigate potential exposure to environmental and social risks.

#### Implementation of Policy

The Chief Investment Officer oversees the implementation of the Proxy Voting Policy.

#### 4. Ownership and Governance

The owner of this Policy is the Chief Investment Officer. The Policy shall be reviewed by the Chief Investment Officer or designate at least annually and such review shall include input from representatives from the Institutional Business, Legal and Compliance teams. Post such annual review, the Policy shall be provided to the Group Board for final review and approval.

#### 5. Policy Approval

Date	Action
May 2020	Approved by the CFM Board