

Our Stewardship Approach



CORONATION

TRUST IS EARNED™

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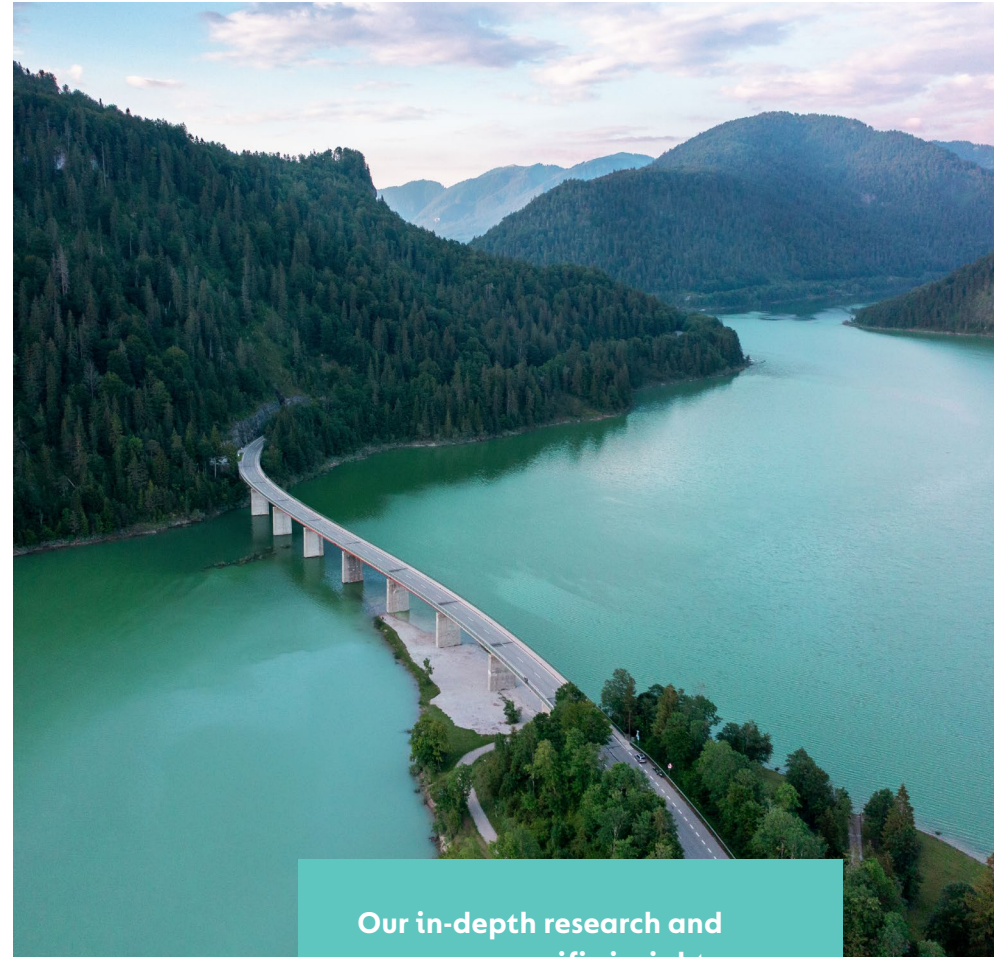
Our stewardship philosophy

Coronations' stewardship philosophy is rooted in our unwavering focus on delivering superior long-term outcomes for our clients – a commitment we've upheld for over 30 years. We understand that our ability to create meaningful long-term value for our clients is intrinsically tied to the sustainability of the companies in which we invest.

Undoubtedly, companies that are managed on a sustainable basis are more **likely to create value over the long term**. Our analysis of the ability of each investment to create, sustain and protect value is, therefore, a cornerstone of our long-term, valuation-driven investment philosophy.

As responsible stewards of the capital entrusted to us, we are **cognisant of the broader impact of our investment activities**. Our analysis of environmental, social and governance (ESG) factors also accounts for the external costs of business activities on society and the environment, addressing the risk that these costs may be internalised in the future.

We believe that as an active, fundamental manager, our in-depth research and company-specific insights can significantly **contribute to driving progress** through a holistic understanding of each company and its context. Rather than adopting a one-size-fits-all model or a box-ticking approach, we evaluate the ESG risks and opportunities facing each investment and how the entity responds to these challenges. Achieving real change, while avoiding unintended consequences, is only possible through rigorous, company-specific research – a hallmark of our approach over more than three decades.



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Our stewardship principles

To effectively implement our stewardship philosophy, we adhere to a clear set of principles that outline the most effective ways to achieve our goal of creating meaningful long-term value for our clients. They inform how we conduct our stewardship activities, ensuring that we consistently act in the best interests of our clients and stakeholders.



#1

DRIVING REAL-WORLD CHANGE

We aim for real-world, on-the-ground change rather than merely focusing on ESG ratings or quantitative metrics. Our engagement seeks to drive meaningful and tangible improvements in corporate practices, advocating for responsible behaviour which leads to sustainable long-term value creation.



#2

PRIORITISING MATERIAL ISSUES

We recognise that companies are exposed to a myriad of ESG risks and issues and understand that they must prioritise their efforts. Therefore, we emphasise the importance of identifying and focusing on the most material issues that are essential for the long-term success of the business. By addressing these critical factors, we help companies direct their efforts toward the most impactful issues.



#3

A RESEARCH-DRIVEN APPROACH

As an active, fundamental manager, we conduct deep, thorough research into each of the companies in our investment universe. This allows us to gain a comprehensive understanding of the issues and risks each company faces, considering the specific context of their operations, including challenges that are specific to the countries or sectors in which each company operates. This comprehensive analysis helps us understand the trade-offs companies face when making difficult decisions. This is reinforced as the stewardship responsibilities for each investee company rest with the analyst covering the stock, who is best placed to perform a holistic assessment of the issues.



#4

TRANSPARENCY AND ACCOUNTABILITY

We are committed to maintaining the highest standards of transparency and accountability in all our stewardship activities. We believe that clear, open communication with our clients and stakeholders is essential for building trust and ensuring that our actions align with our stated principles. This includes regular reporting on our stewardship activities, providing detailed insights into our engagement efforts, the outcomes of these engagements, and the overall impact of our stewardship practices. By being transparent about our processes and decisions, we enable our clients to understand how we manage their investments responsibly and sustainably.



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#5 THOUGHTFUL DECISION-MAKING

We carefully consider the implications of each decision, including potential unintended consequences and trade-offs facing each company. A thorough examination of these factors is crucial to our process, as a narrow perspective or misunderstanding of the complexity of some of the challenges that companies face can lead to significant real-world impacts. We avoid reducing complex issues to standard metrics and instead approach each situation with the depth and nuance it requires.



#7 ACTIVE OWNERSHIP OVER DIVESTMENT

We believe that active engagement (often over extended periods of time) and voting on material ESG issues is the most effective way to encourage companies to improve their practices and drive positive change. This approach aims to achieve a win-win outcome, where more responsible corporate behaviour leads to improved sustainability and, ultimately, higher long-term returns for our clients. Conversely, we are not in favour of automatic divestment, which we believe removes our ability to influence corporate behaviour and potentially transfers ownership to less accountable parties.

In a South African context, eliminating entire categories of potential investments would also exclude a large part of the investable market, including many businesses that contribute significantly to employment in the country.



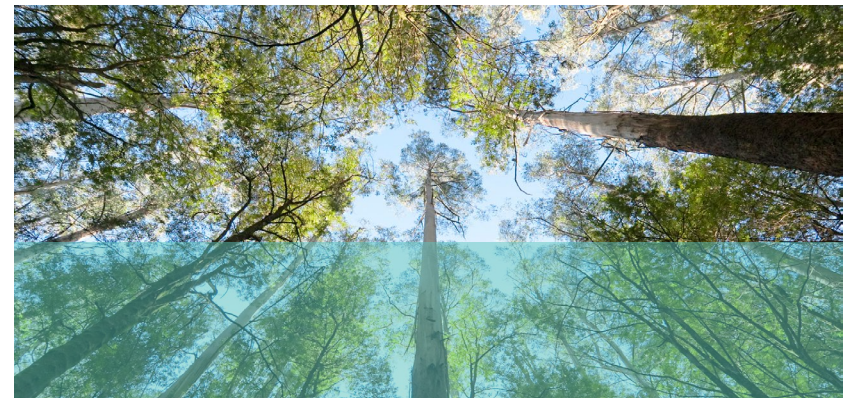
#6 LONG-TERM PERSPECTIVE

We believe that long-term success requires proper alignment across the entire value chain. This includes managing our portfolios with a long-term perspective on the prospects of underlying companies. We ensure that structures and practices at the companies in which we invest align with their long-term goals, and advocate for improved practices where we identify gaps. We advocate against value-destructive policies that prioritise short-term gains over long-term growth.



#8 A CONSISTENT APPROACH

We apply a consistent investment philosophy and approach across all the assets we manage, and this extends to our stewardship activities. Our principles are uniformly applied across various asset classes and geographies, ensuring a cohesive strategy. While our influence may vary depending on the asset or region, our stewardship approach is designed to be effective across our entire investment universe. +





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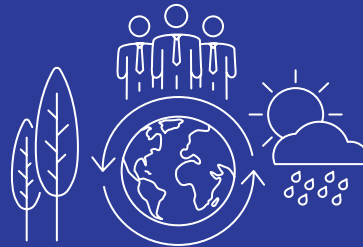
Fixed income stewardship

The four pillars of our approach

Our stewardship activities are underpinned by four pillars: integration, engagement, collaboration and public policy advocacy. These activities allow us to gain a holistic understanding of the underlying issues facing each company, how companies are responding to these issues, and enable us to advocate for change in a proactive and responsible manner.

INTEGRATION

We integrate material ESG-related risks and opportunities into our investment decision-making process and account for these factors in assessing the long-term value of each of the securities in which we invest.



ENGAGEMENT

We engage with investee companies through informed dialogue about the environmental and social impact of their operations, as well as the appropriate governance structures needed to drive long-term business success. Our engagements also explore the effects of external factors on these companies. We advocate for appropriate improvements to mitigate these impacts.



COLLABORATION

We collaborate with like-minded organisations where we believe that a combined effort will be more effective than individual engagements, including as a means of escalating previously unsuccessful engagement efforts.



PUBLIC POLICY ADVOCACY

We collaborate with industry partners and regulators to promote an investment industry that safeguards the long-term interests of asset owners and benefits the societies in which we operate.





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INTEGRATION

We integrate material ESG-related risks and opportunities into our assessment of the long-term value of each company in which we invest.

All our analysts identify and explicitly model the impact of material ESG issues on long-term earnings where possible (e.g. carbon taxes). When the impact cannot be explicitly modelled, it is incorporated into the multiple that we use to value a company's earnings and/or the margin of safety

that informs whether we purchase a security, and at what position size. This ensures that each fair value estimate reflects the long-term opportunities, costs and risks associated with the specific ESG challenges that a company faces. ESG thus forms part of the mosaic of any investment case.

In-depth research

All our stock coverage reports include a thorough assessment of the material and relevant ESG factors. We perform robust quantitative and qualitative analysis of all significant ESG exposures as part of each investment case.



PROPRIETARY RESEARCH

An analyst's comprehensive knowledge of a company, industry and geography is key to the assessment of a company's long-term, risk adjusted fair value. The analyst's assessment is peer-reviewed by the broader investment team, adding rigour to the analysis by addressing biases and assumptions.



EXTERNAL RESEARCH

By utilising external research, we ensure that all relevant ESG considerations are fully covered.

This consists of a two-step process:

Our analysts review the ESG risks and opportunities as identified by **ESG data providers** and explain why they agree or disagree with the data provider's view. If no company specific data is available, analysts use peer company or industry reports as a material issue check.

Analysts also consider the material issues raised by the **SASB materiality map** for the industry and provide their view on the issues in the context of the specific company. SASB's framework aligns with our process, aiming to identify both financial and non-financial material factors including issues that, while not necessarily financially material today, can become so in the future. While SASB is useful at an industry level, we will consider the unique circumstances of each stock when assessing the long-term fair-value of a business.



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Exclusions

Notwithstanding our view that active ownership has a greater positive impact on a company's practices than divestment, we exclude companies that appear on the OFAC, UK and EU sanctions lists.

We also apply a certain set of product- and conduct-based exclusions to several of our global equity mandates to meet the evolving needs of our clients and ensure that these mandates promote specific environmental or social characteristics. These exclusions are designed to

exclude companies substantively involved in a defined set of activities generally regarded as causing material environmental or societal harm.

These exclusions cover companies involved in activities such as the production or distribution of tobacco, controversial weapons, and certain fossil fuel-related activities. Conduct-based exclusions target companies that engage in practices that cause material harm to the environment or society, guided by the ten principles of the United Nations Global Compact.

We always prefer engagement over divestment when it comes to conduct-related issues and will engage with companies first to encourage positive change before considering exclusion.

Additionally, we adhere to specific client mandates that exclude certain investments.

More details on these exclusions can be found in our Exclusion Policy, available on our website.

Integration and engagement are mutually reinforcing

Company analysis drives engagement and engagement outcomes influence the analysis, ultimately enhancing long-term shareholder value.





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ENGAGEMENT

We engage with investee companies through informed dialogue about the environmental and social impact of their operations and appropriate governance to drive long-term business success.

Our analysts build and maintain constructive relationships with board members and management teams by regularly engaging on a wide range of issues. We develop specific engagement strategies for broad themes affecting entire industries, as well as for individual companies, based on a holistic understanding of the key issues affecting each company and the industry and jurisdiction in which it operates. Many of our engagements on challenging topics can span many years.

Engagements help us assess a company's response to its challenges and the effectiveness of its strategies to protect long-term value. These insights are integrated into our fair-value estimates. Meaningful engagement is therefore central to our stewardship approach, informing the integration of ESG issues and serving as an effective way to drive positive change.

Setting our engagement agenda

Our engagement agenda is informed by the following key processes:



PROPRIETARY RESEARCH

As a fundamental, research-driven manager, our analysts conduct stock level, bottom-up research to evaluate a company's ESG standing and identify key areas of concern.



ENGAGING WITH CLIENTS

We actively engage with our clients, both through direct interactions and surveys, in order to remain well-informed about key themes and priorities our underlying clients emphasise.



REGULATORS AND OTHER ORGANISATION

Our membership of many working groups on ESG-related matters allows us access to the most recent developments and thinking in this regard.

Based on the key issues affecting each company, as well as the industry and jurisdiction in which it operates, we then develop tailored engagement strategies with the aim of driving meaningful change that we believe will benefit shareholders over the long term. These engagements could be thematic or company-specific.

Thematic engagements are projects where we aim to engage with companies within a particular sector or market to address a specific issue or theme. Such projects entail a coordinated effort involving a number of analysts, portfolio managers, the CIO and a dedicated ESG analyst. The agenda for engagement will be co-created and decided on centrally, with the analysts then implementing the engagement approach for a particular project.

Thematic engagements often prove especially pertinent when we identify a need for change across multiple companies.

Company-specific engagements are tailored to address specific concerns with the company in question. These engagements are conducted by the analyst responsible for the particular stock and based on this analyst's detailed research on the company and the issue that was identified.



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How we engage

WHO

We engage with the management, board members and industry experts of the companies in which we invest, as well as those we do not invest in, where we believe that appropriate action will improve the attractiveness of the company as an investment or is systemically important to the operating environment.

HOW

We engage during in-person or virtual meetings, emails, formal letters and telephone calls. As a general principle, we find that constructive, behind-the-scenes engagement is far more productive than debating issues at a public AGM or through the press.

TOPICS

Our engagements focus on the most material business strategy and ESG practices that need to be addressed. We often address a number of issues per engagement.

NATURE OF DISCUSSION

We aim to engage through informed dialogue. Our role is not to get involved in the day-to-day management of the business.

FREQUENCY

Frequency is determined by the nature and importance of the issue. We are not driven by the need to demonstrate activity on every issue.

TYPES OF ENGAGEMENT

Engagements for change: we request an action from the company and require a response.

Information gathering: we engage to obtain further detail on key areas of concern to supplement our company analysis.

Voting: we contact the company to inform them that we are voting against a resolution(s), and the reasons for this.

MEASURE OF SUCCESS

We measure success not merely by the number of engagements, but rather by the extent to which our activities drive meaningful change. Depending on the type of engagement and context, an effective company response could be providing us with more information or clarification on an issue, accepting the validity of our concerns, agreeing to make modifications to its business or policies, or making other commitments to address the issue.

RECORD KEEPING

We keep track of the progress and outcome of all ESG engagements. Our key indicators include the number of engagements that are new, ongoing and closed; the strategy to which an engagement relates; the success rate for engagements that are closed; time taken to achieve a resolution; and the range of ESG issues across which we engage.

TIMEFRAME

In general, engagements on specific issues are multi-year endeavours. The timeframe varies depending on the nature and complexity of the issue that we aim to address.





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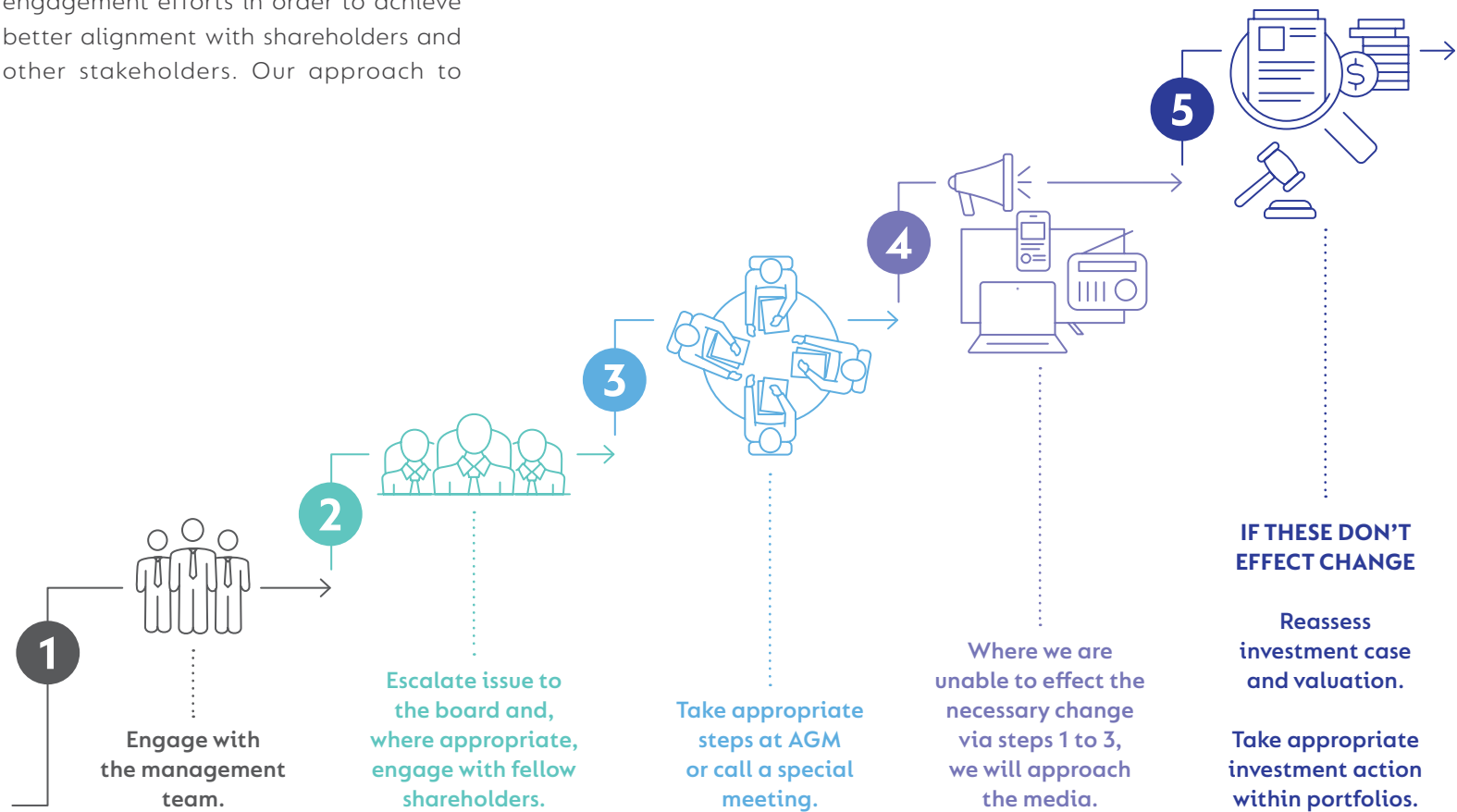
Escalation

Our preference is to drive meaningful change through constructive dialogue informed by rigorous research.

However, when we are not able to achieve the desired results on important issues, we recognise our responsibility to escalate our engagement efforts in order to achieve better alignment with shareholders and other stakeholders. Our approach to

escalation may differ across markets as our access to management teams and boards differ across geographies. Depending on the context, we will use all means available to us, such as meeting with board members, collaborating with other shareholders, exercising our voting powers at AGMs, calling special

meetings, and, if need be, escalating issues into the public arena via the media. If our best efforts are unsuccessful, we will reassess our investment case and take the appropriate investment action in our portfolios.





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COLLABORATION

We collaborate with like-minded organisations to advocate for the adoption of better policies and ESG-related practices at a company or industry level.

Collaborative engagements are critically important for addressing systemic issues, such as climate change. Collaborating with diverse groups unites a wide range of expertise and perspectives, leading to better solutions and more efficient resource use. This fosters a holistic, system-wide approach and encourages ongoing improvement by learning from each other's successes and failures. Collective influence garners support more quickly when we share similar concerns with other investors.

We also collaborate as a form of escalation when a combined effort is more effective than individual engagement. In certain markets where we may have limited access to management and boards, or where we hold smaller positions, collective action increases the likelihood that our concerns are heard and addressed.

As members, we have access to organisations such as CA100+ or the PRI Collaboration Platform that assist us in accessing other investors who may have similar concerns.

PUBLIC POLICY ADVOCACY

Advocacy serves as a powerful tool for tackling systemic challenges, such as ensuring financial market stability, combating climate change, and fostering social stability.

As a significant player in the South African financial services sector, much of our advocacy focuses on advancing effective legislation and regulation within South Africa's financial services industry. We recognise that for our business to be sustainable, a vibrant, growth-oriented and inclusive economy is essential. This recognition prompts us to engage beyond our industry to promote broader systemic change.

We believe in proactively participating in shaping an operating environment that protects the

long-term interests of asset owners and supports a sustainable and diverse investment industry. This commitment includes actively engaging with key stakeholders and policymakers to further these objectives and serve the best interests of the societies of which we are a part.

Coronation is a signatory to and member of multiple responsible investing and stewardship codes and organisations:



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The Association for Savings and Investment South Africa (ASISA)

Status: Member and participant on boards and working groups

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.

Principles for Responsible Investment (PRI)



Status: Signatory

The PRI is the world's leading proponent of responsible investment. It works to understand the investment implications of ESG factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.

Carbon Disclosure Project (CDP)



Status: Investor signatory

The CDP is a global non-profit organisation that works to encourage companies and governments to measure, disclose, manage, and reduce their environmental impact. As an investor signatory, we are part of a network of investors that use the data collected by the CDP to make informed decisions about their investments, with a focus on climate risk and opportunity.

Climate Action 100+



Status: Signatory

The Climate Action 100+ coalition aims to engage and work with companies and industry members to communicate the need for greater disclosure around climate change risk and for the alignment of company strategies with the 2015 Paris Agreement.

Code for Responsible Investing in South Africa



Status: Supporter

Coronation is a supporter of the Code for Responsible Investing in South Africa (CRISA) and endorses the five principles which emphasise the significance of integrating sustainability considerations, including environmental, social and governance (ESG) factors, into long-term investment approaches. The principles also provide guidance on how institutional investors should undertake investment analysis, investment activities and exercise their rights to promote effective governance.

Business Leadership South Africa



Status: Member

Business Leadership South Africa (BLSA) 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.

Thinking Ahead Institute



Status: Member and working group participant

We are members and active participants in the Thinking Ahead Institute, a global not-for-profit research and innovation hub, connecting members from across the investment world to harness the power of collective thought leadership. The objective of the Thinking Ahead Institute is to influence change in the investment arena for the better by improving the provision of savings and investment services.

Since its establishment in 2015, over 60 investment organisations have collaborated to bring this vision to light through designing fit-for-purpose investment strategies, better organisational effectiveness and strengthened stakeholder legitimacy.

The UK Stewardship Code



Status: Supporter and aligned to principles

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.



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International Corporate Governance Network



Status: Member

The International Corporate Governance Network (ICGN) is a global organisation that works to establish global standards of corporate governance and investor stewardship that promote long-term value creation, and contribute to economic, societal, and environment sustainability. These standards serve as a reference for many of the organisation's members when determining their voting policies and when engaging with companies. Membership includes investors responsible for assets of \$70 trillion from more than 40 countries.

Irish Funds Industry Association (Irish Funds)



Status: Member

The objective of Irish Funds is to support, complement and develop the retirement fund industry in Ireland. It represents the industry in discussions with government, its departments and agencies, and the Central Bank of Ireland to ensure that the environment and infrastructure are supportive of the continued development and growth of the industry. We participate in the Asset Manager forum.

100 Women in Finance



Status: Global corporate member

100 Women in Finance is an international organisation focused on fostering gender equality in the finance industry.

United Nations Women's Empowerment Principles



Status: Signatory

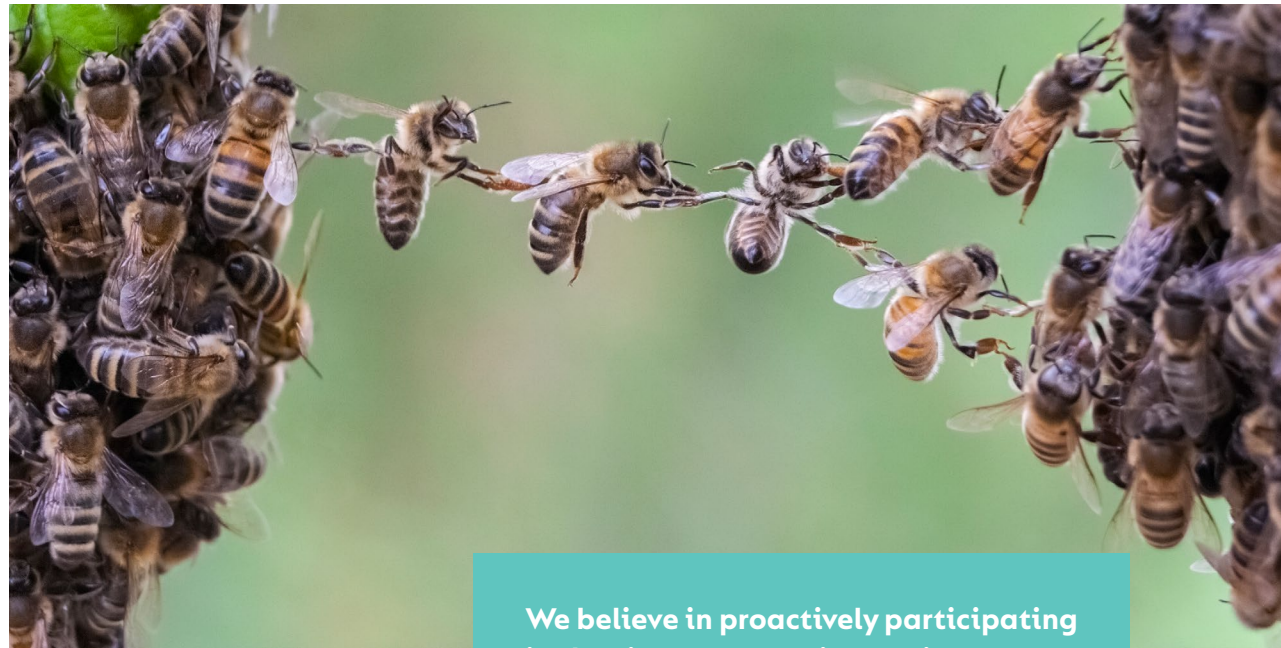
The United Nations Women's Empowerment Principles provide guidance to businesses on how to promote gender equality and women empowerment in the workplace, marketplace and community. This emphasises our commitment to diversity and to ensuring that women, who make up almost half our workforce, are strongly represented in senior roles and on our board.

National Business Initiative (NBI)



Status: Member

The NBI is an independent, voluntary coalition of over 80 South African and multi-national member companies working towards sustainable growth and development in South Africa, and the shaping of a sustainable future through responsible business action. The NBI's strategic objectives are to address issues of economic transition and social transformation through thought leadership, capacity building and collective action programmes and projects. +



We believe in proactively participating in shaping an operating environment that protects the long-term interests of asset owners.



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Governance and oversight

To ensure that our stewardship approach is implemented effectively, we have adopted a set of internal policies and a committee that establish our approach, required processes and oversight responsibilities:

Stewardship and Sustainable Investing Policy:

This policy sets the guiding principles behind our stewardship approach.

Proxy Voting Policy: This policy outlines the principles that we apply when voting on company resolutions. Our proxy voting process includes controls that provide reasonable assurance that corporate events and proxy voting are actioned, processed and recorded accurately and in a timely manner. These controls are subject to external assurance by our Service Auditor.

Policies are reviewed periodically, and our Board of Directors is responsible for final review and approval.

Sustainability Committee: The Sustainability Committee is responsible for formal governance and oversight of the design, implementation, monitoring and reporting of Coronation's approach to incorporating ESG factors into our investment process, as well as associated alignment with codes, standards, disclosure obligations and regulatory requirements. The Committee comprises the Chief Investment



Officer, Global Head of Institutional Business, Global Head of Risk and Compliance, Company General Counsel and several senior portfolio managers.

Stewardship Resources

As a manager deeply committed to our responsibilities and keenly aware of our potential to effect meaningful change, our senior executives play a crucial role in setting our stewardship strategy and directing our efforts.

Across our organisation – from the investment team to client-facing teams, operations, and

compliance – our senior employees drive our stewardship initiatives.

Investment team

CIO and senior portfolio managers: We believe it is imperative that ESG analysis remains within the remit of the investment team. As such, our CIO and senior portfolio managers are responsible for setting our sustainability agenda and for guiding and overseeing all ESG activities. They are directly involved in thematic projects, the overall sustainability-related research agenda, and proxy voting decisions, especially those that may be considered contentious. The



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CIO is responsible for the implementation of our Stewardship and Sustainable Investing Policy as well as our Proxy Voting Policy.

Analysts: Our analysts and portfolio managers are best placed to understand the nuances and implications of company-specific ESG factors and how they affect each individual company. As part of our large and well-resourced investment team, all Coronation analysts are tasked with identifying and integrating ESG factors into their investment analysis and assessments of a company's long-term fair value. They also drive, alongside senior team members, engagement with companies on material issues and make recommendations on proxy votes. By not establishing a separate sustainability-focussed team, we ensure that sustainability considerations are

fully integrated into our fundamental, research-driven investment process.

ESG analyst: Our dedicated ESG analyst supports the investment team's integration, engagement and collaboration efforts by conducting research on the latest ESG topics. Our ESG analyst ensures that our investment team is aligned with the latest developments and participates in industry activities, bringing industry initiatives to the attention of senior decision-makers.

Institutional Business Team

Global Head of Institutional Business: Our Global Head of Institutional Business ensures that the business stays informed and responsive to the ever-evolving sustainable investment

landscape. This is accomplished through active engagement with clients to understand their changing needs and adapt our processes accordingly. We emphasise clear and effective communication with clients to ensure they understand our sustainability approach and related activities.

Product development actuary: Our product development actuary ensures that our product offering meets the needs of our clients on an ongoing basis. This includes aligning product design and mandate limits with Coronation's sustainability approach and applicable regulations.

Client service fund managers: As senior client-facing employees, our client service fund managers are dedicated to continuously engaging with clients to stay informed of their evolving sustainability views and priorities. They play a crucial role in providing our clients with detailed insights and real-world examples that demonstrate the impact and effectiveness of our stewardship activities.

Risk Management and Operations

Global Head of Risk and Compliance: Our Global Head of Risk and Compliance is responsible for monitoring regulatory developments and ensuring that we adopt and comply with all relevant legislation.

Global Head of Operations: Our Global Head of Operations supports the investment and client-facing teams by ensuring that we have the operational capability to execute our sustainability strategy. +





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Proxy voting

Voting is an important way in which we exercise our ownership rights. Coronation's Proxy Voting Policy outlines the principles that determine how we will vote on company resolutions. 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. Our overriding principle is that constructive pre-emptive engagement and rectification is a far more preferable outcome for all stakeholders than formulaic voting at general meetings. We believe that exercising a proxy without engaging with the company to clarify our position is contrary to the company's and, therefore, our investors' best interests. When we vote against resolutions or abstain from voting on a particular resolution, the vote is often accompanied by a letter, telephone call or email to the company explaining our reasons. We will only abstain from voting where we have insufficient information or time to make an informed decision regarding a particular resolution.

Unusual or contentious issues, such as hostile takeovers or proposals not considered to be in the interests of shareholders, must be discussed with the CIO and other senior investment managers. In addition to the proprietary research by our analysts, we also access the research and voting recommendations provided by a large third-party proxy voting advisor. Our

analysts may review this data to gain additional information on complex votes so that we are aware when we are taking views that are not in line with the broader market and are comfortable with the rationale for doing so.

In the interests of transparency, voting records are published on our company website, including the resolutions tabled at investee company shareholder meetings, our voting action, reasons for voting against or abstaining and the outcome of the resolution. The record will also be provided directly to clients upon request.

Securities lending

When stocks are on loan, the voting rights for those shares are also transferred as part of the lending arrangement. Securities lending thus limits our ability to exercise proper long-term stewardship of these investments. We do not engage in securities lending on the portfolios that we manage, but we do permit segregated clients to engage in securities lending on their own behalf subject to reasonable restrictions such as setting a threshold on how many shares can be on loan at a given time. This allows us to exercise their shareholder voting rights in relation to that portion of the shares that may



not be lent out. In certain circumstances, clients reserve the right to recall securities on loan prior to AGMs, enabling us to include the recalled shares in our voting.



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Client-specific voting policies

We apply bespoke voting policies for segregated clients who prefer this. These clients either provide us with their own proxy voting guidelines to which we adhere, or they outsource their voting to a specialist company. However, given our active management approach, we prefer to retain the voting rights of shares held on behalf of clients, as it allows us to apply the full weight of our ownership to our voting powers, with the goal of enhancing long-term value for our clients.

Shareholder proposals for a company to table a resolution

There are instances where an individual shareholder or groups of shareholders propose that a company table a resolution for approval by its shareholders. We consider such shareholder proposals and generally support those that are likely to materially enhance long-term company value, reduce financial and/or ESG risks or improve disclosure practices. However, active engagement and the growing propensity of corporate directors to seek input from large shareholders have reduced the need for such proposals to be put forward. Therefore, the number of votes for or against shareholder proposals in any given year should not be indicative of our views or approach to the underlying issues. +





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Climate change is a defining challenge of the 21st century, and as long-term managers, we understand the critical role we can play in driving companies to improve their climate-related practices and mitigate the impacts of climate change.

We believe that climate change will have severe financial implications for all economies, asset classes, industries, and companies, albeit to varying degrees. The systemic nature of climate change means that the adequacy and sustainability of long-term savings will be affected. By addressing these challenges and helping to mitigate their impacts, we aim to add long-term value to our clients' portfolios.

As active managers with a long history of engaging with companies, we are well-positioned to act as meaningful and thoughtful change agents. We aim to drive change by ensuring that the risks and opportunities stemming from potentially material climate risks are integrated into our decision-making process.

A complex challenge

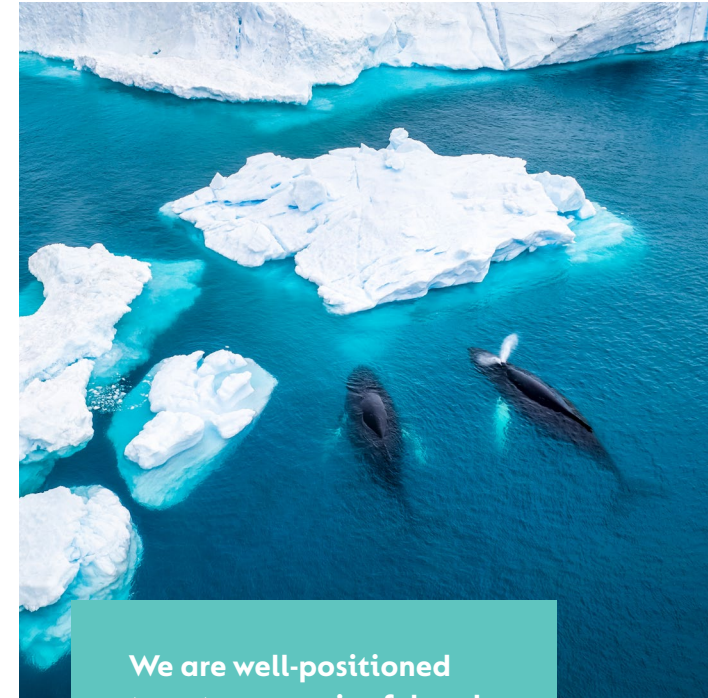
We recognise that the complex challenges presented by climate change require a careful, well-considered, and long-term approach. Importantly, we understand that there are multiple pathways to achieve carbon reduction. Tackling climate change has social and other

implications, often involving tradeoffs between competing priorities of stakeholders who do not necessarily share the same perspective on the issues involved. For us, it remains essential to engage with companies in a way that will support the delivery of sustainable long-term returns.

We are transparent in our investment approach and efforts in relation to climate change as this plays a crucial role not only in allowing stakeholders to consider and interrogate our approach but also keeps our clients informed on how we are fulfilling our mandates. We endeavour to continue updating our stakeholders on our approach as it evolves in relation to this dynamic issue.

Assessing climate risk

Climate risk is pervasive, cutting across every sector, and it manifests differently from one industry to the next. These industry-specific impacts must be viewed through the lens of materiality to each industry and the ability to make changes where there is a high degree



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of materiality. As our starting point, the principles that we consider in shaping our responsible investing approach, including in relation to climate change, are based on applicable law and numerous international standards and frameworks.



Our stewardship philosophy

The four pillars of our approach

Stewardship governance and resources

Proxy voting

Our approach to managing climate risk

Fixed income stewardship

Our investments are exposed to two types of climate risk: physical risk and transition risks.

Physical climate risk stems from the physical changes resulting from climate change - either the temperature increases or associated changes occurring in weather patterns, sea levels, or ecology, as well as extreme weather events.

Transition risks are generated by the economic and societal shifts towards a low-carbon economy. They can stem from policy changes to achieve climate goals, but also from new

technologies and changing consumer behaviour. However, efforts to produce and consume goods and services in ways that emit less greenhouse gases also create investment opportunities.

Managing climate risk

We believe that the engage-to-change approach will yield better real-world and long-term results than divestment or using portfolio level metrics to define success.

We will be an owner of companies through their climate transition journey. We integrate climate

considerations into our investment analysis and management engagement strategies to reduce risks and enhance returns.

Our strategy for addressing climate change uses the same four-pillar approach of integration, engagement, collaboration and public policy advocacy that we apply to our other stewardship activities. In practice, the application of this approach to our climate-related activities is manifested as follows:

1. We always invest in accordance with investment mandates. This means that we are transparent with clients about objectives and how we seek to deploy capital.
2. At a portfolio level, we monitor total portfolio exposure to carbon and carbon intensity.
3. At a company/issuer level:
 - ▶ We integrate climate considerations into company valuations (either explicitly through the inclusion of climate-related cash flows, such as future carbon taxes, on earnings, or implicitly through an adjustment to the valuation multiple to adjust for reduced or heightened levels of climate-related risks).
 - ▶ We engage with companies and their boards on the following topics:
 - **Emissions disclosure.** We will ask companies/issuers for improved disclosure in line with international standards, such as ISSB recommendations.
 - **Climate-related targets** (and whether these are science-based).





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- **Transition strategies** and how credible or realistic these are. We advocate for the development of transition plans based on science-based targets and for them to disclose progress against these plans annually. We examine the robustness of the plan, including governance structures and capital allocation frameworks.
- **Projected implications on earnings** (e.g. carbon taxes to be paid or transition-related capital expenditure).
- **Executive incentivisation** tied to climate-related targets.
- **The social impacts** of the transition.

▶ We vote actively. We examine both management and shareholder climate-related proposals from a holistic perspective to assess the merits of the proposal.

4. We continue to grow our understanding and knowledge in this area and keep abreast of developments through consistent investment, participation in various initiatives and maintenance or expansion of our partnerships and networks.

Promoting decarbonisation through active ownership

While divestment may seem like an easy way to decarbonise a portfolio, it does not necessarily lead to real-world change. Divestment can remove our ability to exercise our stewardship responsibilities through engagement and voting and may transfer ownership to investors who do not share our sustainability-related concerns. We



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believe that focusing solely on portfolio-level carbon intensity can lead to investors artificially demonstrating that their portfolios are reducing emissions in line with decarbonisation targets without reflecting any actual real-world reduction in emissions. Furthermore, divestment can hurt companies that need capital and incentives to transition.

We believe in the power of inclusion over exclusion and that, in certain circumstances, active ownership can have a greater positive impact on a company's practices than divestment. We are

also firm advocates for real on-the-ground change and prioritise the achievement of real economy emissions reductions. By encouraging companies to decarbonise their operations, we can systematically advocate for a reduction in exposure to fossil fuel assets in an orderly and environmentally conscious manner. This approach includes companies setting credible emission targets and committing to clear plans outlining how they will achieve these goals. Robust and ongoing engagement is essential to hold companies accountable. +



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Our stewardship responsibilities extend to all the asset classes that we manage on behalf of our clients and as such, we follow the same approach of integration, engagement, collaboration and public policy advocacy within our fixed income investment process.

While the risk/return profiles of these assets differ from more growth-oriented asset classes such as equities, the principles that underpin our stewardship approach are universally applicable across all asset classes.

Integration

Investment in fixed income instruments is anchored by our expectations of having our capital returned and interest payments made timeously. Hence, we focus our research efforts on understanding the primary factors that could result in permanent capital loss associated with these instruments. Our goal is to ensure that the credit spread adequately compensates us for the risks involved with the specific investment.

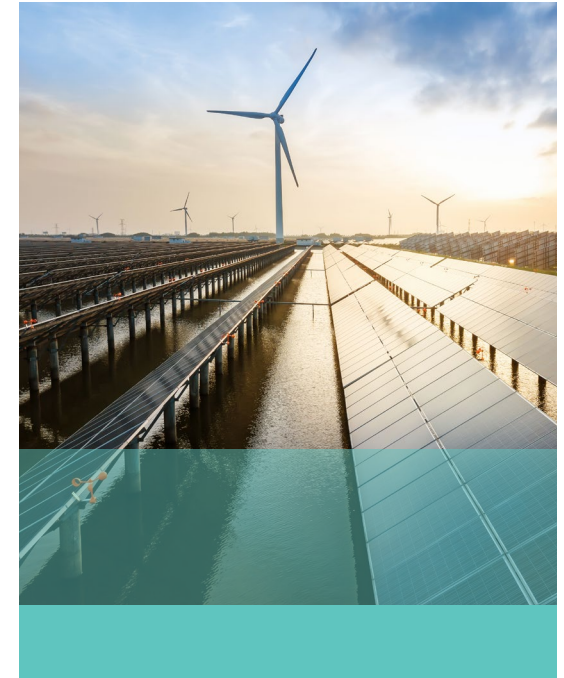
Similar to equities, our detailed proprietary research on the issuer and structure of fixed income instruments enables us to gain a complete understanding of the material ESG risks, which in turn helps us determine an appropriate risk-adjusted fair value for the instrument.

Our research entails rigorous interrogation and analysis of company, sector-specific and material ESG factors. Engagement with companies also

helps to identify material risks or opportunities, and we assess the potential impact of these risks on an issuer's cash flow and balance sheet. Additionally, we consider an issuer's willingness to engage on various issues and to address material concerns where identified. This process allows us to determine a fair value for all instruments in our investment universe. We maintain ongoing analysis throughout the life of an instrument, allowing us to appropriately manage our portfolios at all times. Additional risk management is embedded into the construction of fixed income portfolios through diversification and by limiting exposures to individual issuers.

Corporate governance failures have historically contributed to the bulk of defaults in the South African market. Conversely, while environmental and social risks are lower-probability events, their effects can be severe, and single events can affect the creditworthiness of multiple issuers simultaneously.

It is also important to recognise that many ESG-related risks that are expected to be long-term risks could materialise during the shorter term of an investment. These risks need



to be considered when assessing the predictability and certainty of an issuer's ability to generate sufficient future cash flow to meet its debt obligations.

ESG-related risks can also impact the duration and yield curve considerations for fixed income portfolios. Systemic events can have significant macro-economic implications, including the need for government intervention. The monetary and fiscal response to these events affects the level of interest rates and hence the level of government bond pricing.



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Engagement

Engagement has been a long-standing part of our fixed income investment process. We have large ownership stakes in many companies and, over the years, have developed relationships with company management and directors. We use these relationships to proactively address ESG issues that arise and that we feel may be relevant to the creditworthiness of an issuer. These engagements with issuers allow us to evaluate the strategic direction of the company and give us an understanding of how it will likely address future risks.

For any new issuance, we need to carefully evaluate the terms of potential transactions. In addition to our in-house legal expertise, we retain an external legal advisory firm for in-depth analysis where needed. This means that we can play a constructive role in helping shape some of the contractual agreements by, for example, ensuring that covenants include the metrics that we deem to be necessary, and setting disclosure obligations.

Given the asymmetric return profile of investing in fixed income assets, credit selection is

primarily focused on mitigating downside risk, and our engagement efforts are aimed at reducing these risks and influencing positive impact where possible. As fixed income investors, our ability to effect material changes is limited by the lack of voting rights associated with fixed income instruments. Our options are thus to limit the horizon of our investment or exit the

investment if we perceive the underlying risks to have materially increased.

In South Africa, owing to our size, we continue to engage with systemically important issuers, such as the power utility Eskom, even if we do not hold exposure to their debt. One reason for this is that ESG factors can affect other investment returns indirectly. +



Engagements allow us to evaluate the strategic direction of the company and give us an understanding of how it will likely address future risks.

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