2024 Stewardship Activities Report

CORONATION

TRUST IS EARNED™

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Foreword

Dear Stakeholders

Since our inception in 1993, Coronation has actively managed our clients' assets with a deep commitment to long-term value creation. Our investment philosophy is rooted in rigorous, proprietary fundamental research and a long-term, valuation-driven approach. At the heart of this philosophy is a focus on allocating capital responsibly to help our clients achieve their financial goals.

In line with client expectations, our stewardship activities aim to support the creation of sustainable, long-term value. We do this by proactively identifying material ESG risks and opportunities, integrating them into our investment thesis, and adjusting our valuations accordingly. This enables us to better understand the full risk/return profile of our investments and act in the best interest of our clients.

As the sustainability landscape continues to evolve, we are continuously enhancing our capabilities to navigate its increasing complexity. This includes deepening our understanding of nuanced and sometimes conflicting ESG challenges, expanding our dedicated resources, and reinforcing our commitment to active stewardship. For us, stewardship means taking our fiduciary responsibility seriously – allocating capital responsibly, engaging meaningfully with companies and industry participants, and exercising our voting rights with thought and purpose.

As long-term investors, we are very aware that business and governance decisions can have a material impact on the future financial outcomes of a company. Our goal is to ensure that risks are effectively managed and opportunities fully realised. Central to this is open, ongoing communication with the companies in which we invest. We take a constructive, behind-the-scenes approach to engagement – one that is collaborative, materiality-driven and focused on delivering better investment outcomes.

We believe strong relationships and consistent, two-way dialogue with companies are key to achieving meaningful progress. We see engagement not just as a responsibility, but as a powerful tool to promote improved business practices that help safeguard and enhance long-term value for our clients.

Our stewardship efforts are deeply embedded across our investment and client service teams and take place in many forms – ranging from direct conversations with company management to formal letters, board-level ESG meetings, and broader collaborative industry initiatives.

We believe this active and thoughtful approach not only benefits the companies and sectors in which we invest, but also contributes to positive outcomes for our clients and the wider stakeholder ecosystem. We are also proud to support industry efforts that advance ESG integration, corporate governance, and responsible investment standards.

This report provides an overview of our sustainability and stewardship activities in 2024, offering both transparency and insight into how we integrate these principles into our investment approach.

We recognise that active stewardship is a key part of the value we deliver to our clients, and we welcome the opportunity to engage further with you on our approach.

Enjoy the read.

Kirshni

KIRSHNI TOTARAM
Global Head of Institutional Business

About Coronation

Coronation Fund Managers is a leading active investment manager based in Cape Town, South Africa. For over 30 years, we have remained committed to a single long-term, valuation-driven investment philosophy with a clear purpose: To deliver superior long-term investment outperformance for our clients.

As responsible stewards of our clients' capital, we fully integrate ESG considerations into all aspects of our investment process. This disciplined approach leads to more informed investment decisions and improves long-term outcomes for our clients.

We are one of South Africa's largest independent asset managers, entrusted with the long-term savings of millions of South Africans. We serve a diverse range of clients, including individuals, retirement funds, medical schemes and financial institutions, as well as leading international retirement funds, endowments and family offices. Over the past 30 years, we have delivered world-class investment performance for our clients, with 92% of our portfolios and 97% of our South African portfolios outperforming their benchmarks since inception.

In 2024, a landmark transaction resulted in Coronation becoming the largest independent black-owned asset manager in South Africa, with 52%[1] of the company owned by black individuals and 34% owned by employees. This milestone builds on our long-standing commitment to meaningful transformation, which has always been an integral part of our culture and business strategy.

Our ownership structure reflects our commitment to a strong culture of ownership, aligning the interests of employees with those of our clients and other stakeholders. Our culture of ownership is an attractive proposition for top talent, contributing to our high retention rates and stable leadership team.

Our investment offering

Our comprehensive range of investment products is designed to meet the needs of our South African and global clients. We offer specialist asset class mandates, such as equities and fixed interest, as well as a range of multi-asset portfolios, where we combine active asset allocation with stock selection through an integrated investment approach. Our global offering includes strategies investing in developed, emerging and frontier markets.

We apply a single long-term, valuation-driven investment philosophy and process consistently

R676bn

ASSETS UNDER MANAGEMENT[2] ($36 BILLION)

52%

BLACK OWNED

[1] *As measured by South Africa's Financial Sector Code (FSC)*
[2] *As at 31 December 2024*

Assets under management

Coronation currently manages R676 billion in client assets ($36 billion)

FIGURE 1: AUM BY CLIENT TYPE

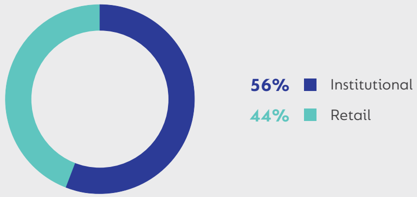


FIGURE 2: AUM BY INVESTED ASSET CLASS

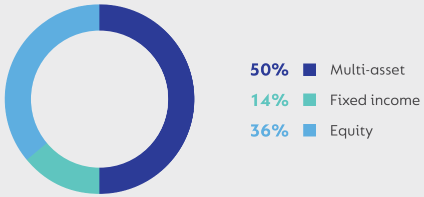
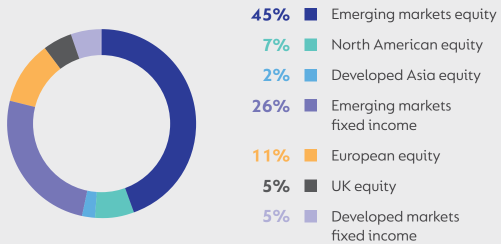


FIGURE 3: AUM BY INVESTED REGION[3]



across all our strategies. Our multi-decade track record of outperformance across our fund range is evidence of the success of our investment approach.

In our South African funds, compelling performance is demonstrated by[4]:

- Our Houseview Equity Strategy outperforming its benchmark by a cumulative total of 4 785.0% since inception in 1993 (2.4% p.a.).
- Our multi-asset Global Houseview Strategy outperforming its benchmark by a cumulative total of 2 608.9%, also since 1993 (delivering real returns of 9.3% p.a.).
- Our Global Absolute Strategy, which has a dual objective of delivering real returns while preserving capital over shorter time horizons, outperforming inflation by 8.7% p.a. since 1999.

In global markets:

- Our Global Emerging Markets Strategy has outperformed its benchmark by a cumulative total of 55.7% since inception in 2008 (1.9% p.a.).
- Our multi-asset Global Managed Strategy has outperformed its benchmark by a cumulative total of 41.4% since 2009 (delivering real returns of 4.9% p.a.).
- Launched in 2008, our African Frontiers Strategy has outperformed the FTSE/JSE All Africa (ex-SA) 30 Index by a cumulative 187.9% since inception.

34%

EMPLOYEE OWNED

B-BBEE CONTRIBUTOR[5]

Level 1

[3] *Percentages do not sum to 100 due to rounding*
[4] *All figures as at 31 December 2024*
[5] *As measured by the Financial Sector Code*

Commitment to stewardship and responsible investment

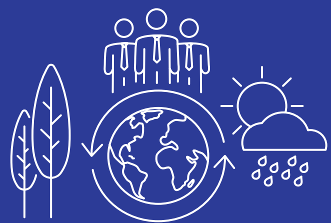
Coronation is a signatory to and member of multiple responsible investing and stewardship codes and organisations, including the Principles for Responsible Investment (PRI), the Code for Responsible Investing in South Africa (CRISA), the International Corporate Governance Network (ICGN), and Climate Action 100+ (CA100+). The ICGN is a leading authority on global standards of corporate governance and investor stewardship, and, as a member, we are committed to and advocate for the highest standards of corporate governance. In addition, we support the principles of the UK Stewardship Code, which are designed to foster the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society. We work hard to ensure we continue to take cognisance of and champion their tenets and principles.

Our stewardship 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 advocating for change in a proactive and responsible manner.

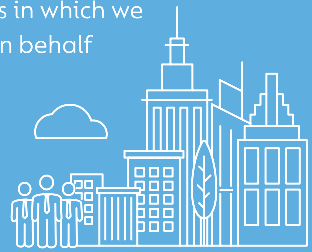
INTEGRATION

We incorporate ESG-related risks and opportunities into investment decisions and account for their potential impact on the long-term value of each of the securities in which we invest.



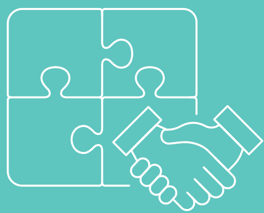
ENGAGEMENT

We hold informed dialogues with investee companies on their environmental, social and governance practices to support the long-term success of businesses. We also consider and vote on all proxies for all companies in which we hold shares on behalf of our clients.



COLLABORATION

We collaborate with like-minded organisations where we believe that a combined effort will be more effective than individual engagements.



PUBLIC POLICY ADVOCACY

We partner with industry peers and regulators to advance an investment landscape that serves the long-term interests of asset owners and the societies in which we operate.

Read more about Our Stewardship Approach

Our achievements

Recognised for excellence

Winner **of the 100 Women in Finance EMEA Diversity and Inclusion Award**

Winner **of the Irish Pensions Diversity Award**

Private Sector CFO of the Year **at the African Women Chartered Accountants (AWCA) Awards**

Ranked 1st **for Women on Boards at the Gender Mainstreaming Awards**

Winner **of the 2025 Pensions Age Emerging Markets Manager of the Year Award**

Client portfolios benefit from our stable and experienced team

543 YEARS

Of combined senior investment experience

54 CFAs

In our team

336 EMPLOYEES

In offices in Cape Town, Johannesburg, Durban, Pretoria, Dublin and London

Generating exceptional long-term value for clients

97% of South African portfolios **outperformed their benchmark** since inception[6]

Value created by our Houseview Equity Strategy: 89% more than the benchmark since inception

We foster a workplace where all talent thrives

Female individuals represent:

- FEMALE BOARD CHAIR
- **3** BOARD COMMITTEES CHAIRED BY WOMEN
- **50%** OF OUR EMPLOYEES[7]
- **50%** OF OUR BOARD DIRECTORS
- **50%** OF NEW HIRES
- **33%** OF OUR EXECUTIVE COMMITTEE
- **25%** OF OUR SA INVESTMENT TEAM

6 *On an asset-weighted basis; since inception figure for strategies with a 10-year+ track record*

7 *South African employees as at 31 December 2024*

South Africa's largest independent black asset manager

As a committed corporate citizen, we continue to advance transformation and diversity not only at our own company, but also for the benefit of the industry and broader society. The milestone transaction announced in 2024, which established Coronation as South Africa's largest independent black-owned asset manager, aligns with our longstanding dedication to delivering excellent investment performance while contributing to a more just and equitable South Africa.

This transaction will see new shares equivalent to almost 9.7% of Coronation's share capital transferred to black beneficiaries, including almost 200 employees. Of these employees, 58% are women.

We firmly believe that diverse collaborators provide us with an advantage in a competitive, unpredictable world and that an inclusive work environment is critical to unlocking the diversity dividend. Diversity is an entrenched part of our culture and as such, our ability to leverage diverse views has been a catalyst for our continued success.

Our dedicated efforts over the years have yielded demonstrable results across the business (Figure 4). Our staff complement spans gender, ethnic, language, religious and socioeconomic backgrounds across a range of academic and professional qualifications. Notably, our Board's chair is female, and we have earned both local and global acclaim for our initiatives.

FIGURE 4: EXCELLENCE THROUGH INCLUSION

Black individuals represent:

[8] *South African employees as at 31 December 2024*

A journey spanning more than three decades

We have always looked to "grow our own timber" through various past and ongoing initiatives, including:

- **Internship programme:** Since the inception of our internship programme, a total of 96 interns have benefitted from the programme, which places interns on 23-month fixed-term contracts in various roles across our business. We have permanently employed 58 of the 96 interns within our business, of whom 91% are black and 62% are female. All our current interns are black individuals, and 60% are female.
- **Portfolio Manager Accelerate Programme (PMAP):** Launched in 2019 to fast-track the development of black and female professionals in our portfolio management teams, PMAP pairs participants with our most experienced portfolio managers. We developed this exciting initiative in partnership with a few of our longstanding clients to help address this need. Individuals who participate in this programme are being trained and mentored by our most experienced portfolio managers, and the early success stories have been inspiring.
- **Employee empowerment scheme:** The transaction announced in 2024 builds on the success of our 2005 initiative, when we partnered with all our black employees to create South Africa's first employee-only black economic empowerment scheme. The groundbreaking initiative transferred 10% of Coronation's shares to 182 black employees, equating to approximately R1.4 billion at today's market capitalisation.

As a leading manager in South Africa, we believe that it is important to help progress the industry in which we operate. We have a demonstrated track record of pioneering initiatives, including:

- Supporting the establishment of **three black-owned investment managers** – Namibia Asset Management (1996), African Harvest Asset Management (1999) and Kagiso Asset Management – now Camissa Asset Management (2001).
- Establishing and running a programme to facilitate the growth of **emerging black stockbrokers** (2006). This inspired the creation of an industry-wide programme for stockbrokers by ASISA. Coronation has, over this period, spent more than R415 million in support of black brokers.
- Coronation was instrumental in establishing the **Vunani Coronation Training Academy** (2007), where Coronation has provided financial assistance to 36 analysts, many of whom now fulfil influential roles in the industry.
- Co-sponsoring an industry initiative to train and support **black financial advisors** (2016).
- Creating Intembeko Investment Administrators, the first **black-owned transfer agency** in South Africa (2017).
- Launching the Coronation Catapult Programme, a 23-month **work readiness programme**, in collaboration with stockbrokers (2023). Coronation is responsible for the participants' salaries and training costs, and our partners provide hands-on mentorship and on-the-job training.

Our culture and values

Our people are key to delivering on our promise of outperformance, and we have cultivated a culture that supports our goal of excellent performance over meaningful periods. Six shared values define our culture:

Ownership

Coronation is 34% employee owned, fostering a culture where staff act and think like true stakeholders, driving accountability, excellence and a collective commitment to delivering their best work.

Team-based

Employees are encouraged to work together to achieve greater outcomes as part of a well-functioning team than would be possible as individuals.

Performance-driven meritocracy

We believe that exceptional performance drives exceptional outcomes. By fostering a meritocratic culture, we empower individuals to grow, innovate, and take ownership – ensuring that the best ideas thrive, talent flourishes, and our collective success is maximised. This relentless focus on performance translates directly into better results for our clients and our business.

Integrity matters

We uphold the highest ethical standards, recognising that trust is not given – it's earned. Our commitment to uncompromising integrity guides every decision we make, ensuring that we always act in the best interests of our clients and uphold our fiduciary duty with accountability, and fairness.

Clients first

As an independent third-party manager without tied assets, our success is directly linked to the value we create for our clients. By putting clients first in everything we do, we build lasting relationships based on trust, performance, and shared success. True achievement is measured by the long-term returns we deliver, as well as the depth and tenure of our client partnerships.

Long-term thinking

In every investment and business decision we make, we prioritise the long-term outcome. This approach fosters stability, resilience, and informed decision-making, allowing us to navigate market cycles, seize strategic opportunities, and deliver consistent, high-quality outcomes for our stakeholders.

Meaningful social impact

Coronation is committed to the upliftment of the communities in which we operate, and we do this through various projects that are designed to achieve change over the long term. We believe that education is a significant lever in breaking the cycle of poverty in South Africa, and as a result our initiatives are largely focused on improving the quality of and access to education. We have developed a holistic approach aimed at supporting children, educators, parents and entrepreneurs.

Cradle to entrepreneur

Pre-school

EARLY LEARNING RESOURCE UNIT

1 141
children aged five and under attended 16 early childhood development (ECD) centres.

95
early childhood education practitioners and principals received training.

SOUTH AFRICAN EDUCATION PROJECT

206
ECD centres received tailored support for their early learning educators, including in-class teacher training and psychosocial, technical and financial support.

8 400
learners supported with much-needed training and support given to early learning educators.

Primary School

COUNTING WITH CORONATION

341
educators received training in primary school mathematics teaching skills at 26 participating schools.

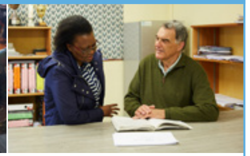
CORONATION READING ADVENTURE ROOMS

8
schools were equipped with adventure-themed reading rooms.

SUPPORT FOR HEARING-IMPAIRED LEARNERS

10
hearing-impaired learners at the Carel du Toit Centre were supported with specialised equipment and expert teachers, staff and remedial therapists.

Supporting Educators & Parents



PRINCIPALS ACADEMY TRUST

979
principals received mentoring and skills development by seasoned, retired principals from top-performing schools.

CONSUMER FINANCIAL EDUCATION

>54 000
adults empowered with financial skills to help them make sound decisions for a better future.

COMMUNITY ACTION PARTNERSHIP

430
parents participated in workshops to provide parents with the skills they need to support their children with their schoolwork and build parent-teacher relationships.

FUTURE LEADERS PROGRAMME

149
students received hands-on teaching experience under the supervision of experienced educators.

12
teacher interns were placed at three schools.

Tertiary Education

CORONATION EXCEPTIONAL STUDENTS BURSARY PROGRAMME

22
students received full tertiary bursaries to study at any recognised public university in South Africa.

GRADUATE INTERNSHIPS

2
graduates benefitted from gaining real work experience as well as training and development opportunities.

Developing Entrepreneurs

GROWING ENTREPRENEURS

85
small-scale farmers trained to build sustainable ventures.

3
community food gardens assisted with the establishment of seedling nurseries and commercialisation.

SCHOOL GARDEN PROJECT

276
learners from nine primary schools have been taught to grow their own crops and sell them on market days.

Through our dedicated initiatives over the past three decades, we have reached:

332 443
Learners

10 622
Educators

>250
Students were awarded study opportunities

5 957
Small-scale farmers

1 116
Schools

138
Youths trained as teacher assistants and ECD educators

138 219
Participants benefitted from consumer financial education workshops

Backing champions

We are incredibly proud to celebrate our first-ever sponsorship of a national sports team, supporting the South African Men's Indoor Hockey Team on their journey to the FIH Indoor World Cup in Croatia. This partnership marked a significant milestone for us and our contribution enabled them to focus on playing exceptional hockey and representing their country with pride. Their dedication, resilience, and passion saw them claim a bronze medal, securing South Africa's first-ever medal at an Indoor Hockey World Cup. In addition, South Africa's Mustapha Cassiem was awarded Player of the Tournament – an immense accolade. We are honoured to have played a role in this momentous occasion. History was made, and we couldn't be prouder!

Getting involved

In South Africa, where socio-economic challenges are widespread, providing food relief to vulnerable communities through community kitchens, schools, early childhood centres and shelters is a deeply meaningful way to contribute to society. We contribute by partnering with well-established food security organisations with wide community reach, such as Ladles of Love and FoodForward SA.

In 2024, our employees, executive team and Board members actively participated in several initiatives in collaboration with these two organisations.

Mandela Day

This Mandela Day, Coronation joined forces with FoodForward SA for the handover of a month's supply of food to the OWL (Ottery, Wetton, Landsdown) Haven Shelter.

World Book Day

To celebrate World Book Day, Coronation and NGO Ladles of Love teamed up on their special 'Love Books' project to provide children in need with nourishing meals and their very own books at the Little Star Edu-Care Centre in Khayelitsha.

Sarmiethon

In celebration of World Sandwich Day and to support Ladles of Love's ongoing Nourish Our Children Programme, Coronation stepped in as headline sponsor and sent a team of volunteers to help make 75 000 sandwiches for children in need in the Western Cape, Gauteng, and Northern Cape. Donations also provided food for two healthy meals a day to 2 500 small children at pre-schools in impoverished communities. +

Client focus

At Coronation, creating lasting value for our clients and nurturing strong relationships are central to our success. Our experienced client service fund managers are dedicated to building meaningful connections, providing timely and transparent reporting on portfolio performance, and sharing insights on our latest perspectives. We also engage clients through our industry-leading conferences and thought leadership content. To ensure we adapt to evolving needs, we actively seek client feedback through multiple channels, including our client service survey and annual ESG survey.

Insights from our 2024 ESG survey

Our latest ESG survey reinforces the importance of integrating sustainability considerations into investment decisions for both global and South African clients. This annual survey provides a valuable platform for clients to share their ESG priorities and provide input into our engagement agenda.

Key priorities for 2025

Water security emerged as a key priority for 2025, with 81% of respondents emphasising its importance, reflecting growing concern over this critical issue, particularly in South Africa (Figure 5). This aligns with our ongoing research and engagement efforts, detailed in the case study on page 38. Climate change and energy efficiency ranked even higher, with 83% of respondents citing it as a top priority. Our ongoing work in this area is highlighted in the case study on page 66.

With regard to social matters, cyber security and data privacy saw a surge in importance, with 78% of respondents identifying this as a key priority – up from 67% the previous year. To address this, we are embarking on a dedicated project on data privacy in 2025 (see page 81). Furthermore, respondents identified conflicts of interest (75%), executive leadership issues (68%) and board structure (68%) as other top governance concerns.

The survey also underscored the important role that asset managers continue to play in driving meaningful change, with 57% of respondents delegating engagement responsibilities to their asset managers (Figure 6).

Challenges in accessing and utilising ESG data remains a challenge, with 74% of respondents citing difficulties in quantifying and measuring ESG impact as a key stumbling block (Figure 7). 19% of respondents reported that they already apply or are in the process of setting ESG-related exclusions (Figure 8). Controversial weapons, adult entertainment, alcohol and child labour are among the considered exclusions.

When asked about their net zero commitments, 37% of respondents confirmed they have made or were exploring a public commitment to achieving net zero within their portfolios by 2050 (Figure 9). Practical challenges within the South African context were noted as significant obstacles to meeting these carbon reduction goals (Figure 10).

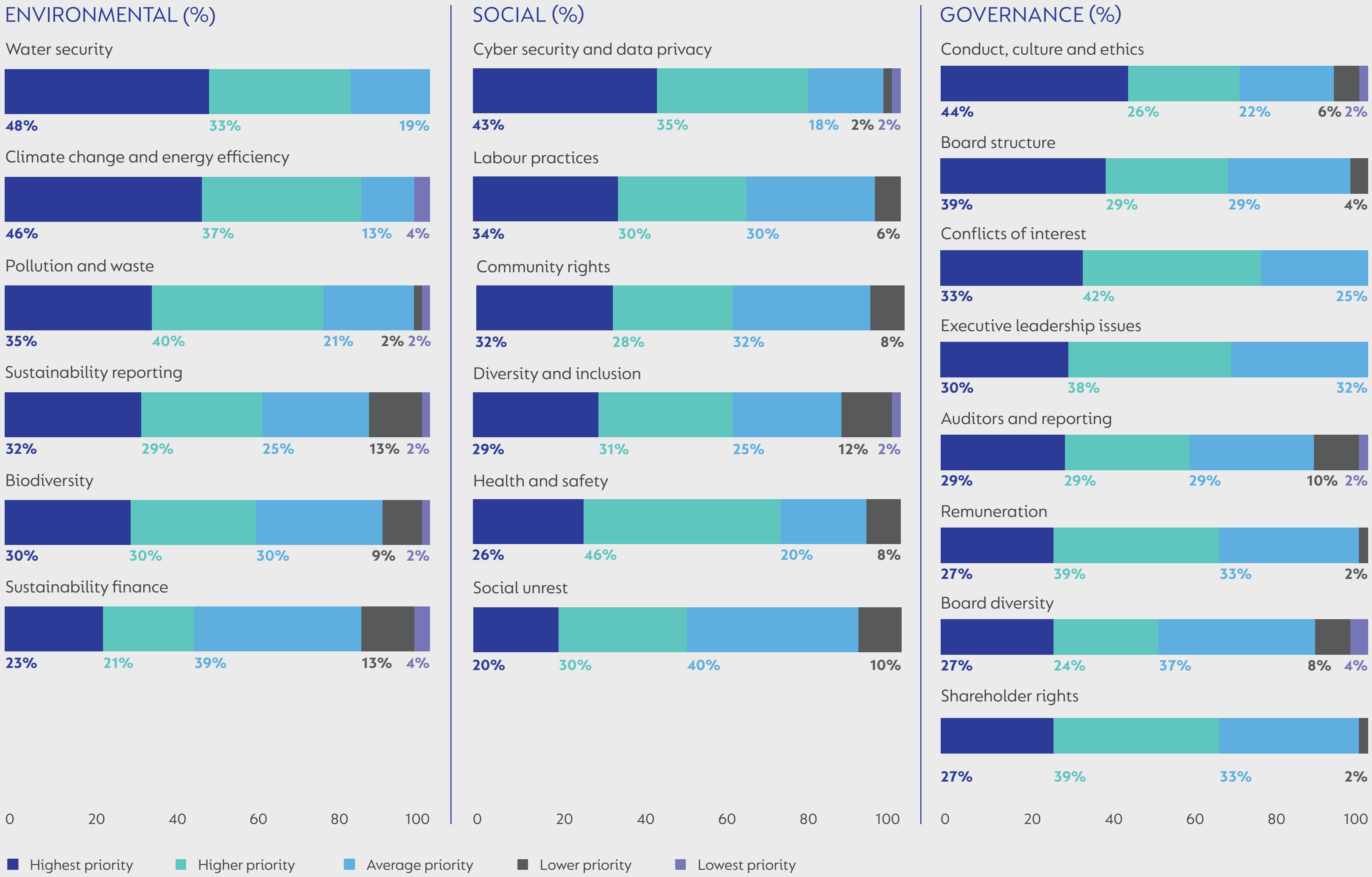
Read our articles

Listen to our podcasts

ESG survey insight:

FIGURE 5: ENGAGEMENT PRIORITIES

Which of the following topics do you think should be prioritised by investors in 2025?



Values may not sum to 100% due to rounding

ESG survey insight:

FIGURE 6: ESG ENGAGEMENTS

How do you engage with investee companies regarding ESG issues? Select all that apply:

We delegate engagement responsibilities to our appointed asset managers	57%
We do not engage with investee companies	18%
We delegate engagement responsibilities to a third-party service provider	11%
Not applicable	7%
We collaborate with other investors on collective engagement efforts	5%
We engage directly with investee companies	2%

FIGURE 7: ESG DATA

What are your main challenges in accessing and utilising ESG data? Select all that apply:

Difficulty in quantifying and measuring ESG impact	74%
Other	9%
Lack of standardised ESG reporting	5%
Inconsistent or incomplete data	5%
High cost of accessing third-party ESG data	5%
Lack of transparency or reliability in self-reported ESG data	2%

FIGURE 8: ESG EXCLUSIONS

Does your organisation apply any exclusions to investments based on ESG considerations?

No	64%
No, but we are in the process of setting exclusions	7%
Yes	12%
Not applicable	17%

FIGURE 9: CLIENTS' RESPONSE TO NET ZERO

Has your organisation made a public commitment to achieving net zero greenhouse gas emissions from its investment portfolio by 2050?

We have not made a commitment to the net zero goal by 2050 and have no plans to commit at this time	63%
We are investigating what making a net zero commitment will mean for our investment portfolio and whether we can commit or not	32%
Yes, we have made a public commitment to the net zero goal by 2050	5%

FIGURE 10: CHALLENGES OF THE TRANSITION

What are the challenges with meeting your carbon emission reduction goals?

"A lack of alternative energy sources of significant scale."

"South Africa's reliance on coal and fossil fuels."

"The trade-off between lower carbon emission reduction and the impact on other social issues such as employment."

"We are wary of making binary decisions e.g. making firm carbon reduction goals without actually understanding whether this is entirely possible without compromising member outcomes. The choice in SA is more challenging given a concentrated universe of shares."

Thought leadership forums

We hosted two major thought leadership conferences in 2024. The year kicked off with Talking Investments with Coronation, featuring a distinguished lineup of subject matter experts and insights from our investment team. In August, we hosted our popular Women's Month breakfast, where female high school learners joined seasoned investment professionals for an inspiring and empowering investment-focused event. +

Inspiring women in the industry

Sharing insights

Building connections at TI 2024

Engagement and proxy voting

In line with our long-term, valuation-driven investment philosophy, our stewardship activities are rooted in our commitment to delivering superior investment outcomes for our clients. Our in-depth, bottom-up research process enables us to engage meaningfully with companies, gaining insights that inform our understanding of their intrinsic value and long-term prospects. We consider all factors that influence a company's long-term sustainability, including environmental, governance and social (ESG) practices. Through these engagements, we advocate for changes that support sustainable, long-term value creation.

In 2024, we conducted over 1 800 engagements with more than 490 companies (Figure 11). All engagements that were required to better understand the long-term sustainability, prospects and intrinsic value of our investee companies are captured in this number. Notably, 363 of our engagements across 212 companies were focused on specific ESG issues (Figure 12).

Given our fundamental, bottom-up approach, we conduct in-depth research to assess ESG risks and opportunities. As a result, 45% of our engagements focused on gathering information to deepen our insights (Figure 15). In 21% of engagements, we advocated for change where we believed we could make a meaningful impact. 72% of our engagements for change remain ongoing, and we will continue engaging on these issues in 2025 (Figure 16). The ongoing nature of these engagements reflects the complexity of these issues and the need for sustained, constructive engagement.

2023 Engagement record

FIGURE 11: TOTAL ENGAGEMENTS IN 2024

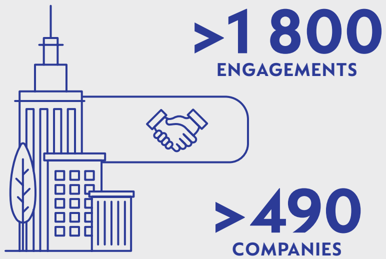


FIGURE 12: SPECIFIC ESG ENGAGEMENTS IN 2024

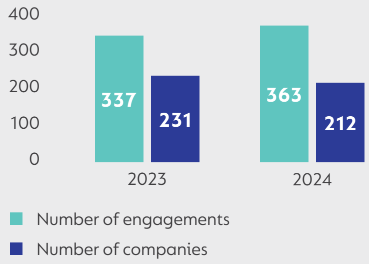


FIGURE 13: ESG ENGAGEMENTS BY CATEGORY

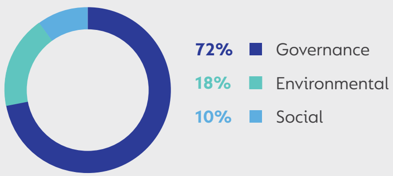


FIGURE 14: STRATEGY ENGAGEMENTS

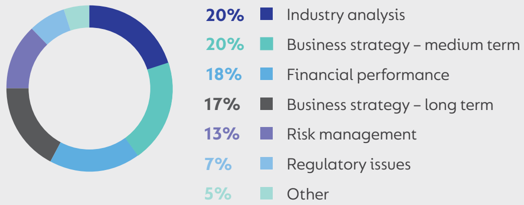


FIGURE 15: PURPOSE OF ENGAGEMENTS

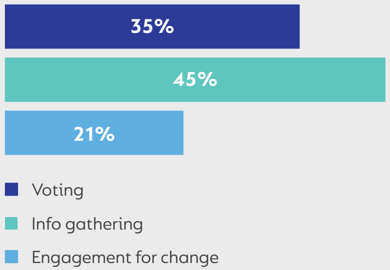
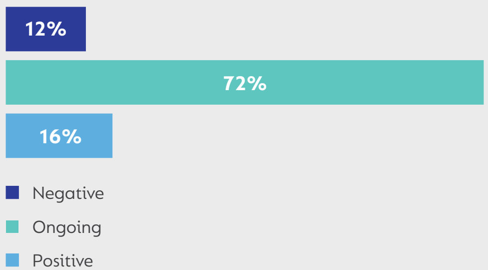


FIGURE 16: OUTCOME OF ENGAGEMENTS WITH CHANGE OBJECTIVES



24% of our engagements had change objectives

FIGURE 17: NUMBER OF INTERACTIONS WITH A COMPANY

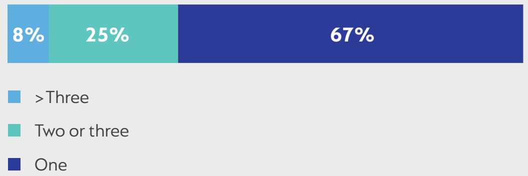


FIGURE 18: THEMATIC VS COMPANY-SPECIFIC ENGAGEMENTS

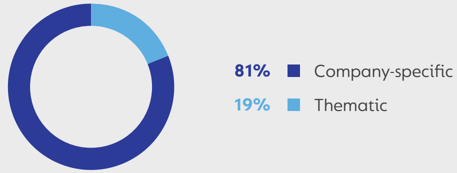
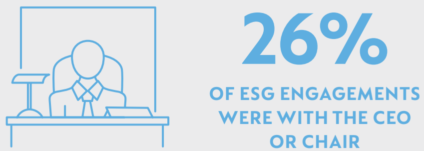


FIGURE 19: MULTI-YEAR ENGAGEMENTS

FIGURE 20



Values may not sum to 100% due to rounding

This is further illustrated by Figure 17, which shows that we engaged with 33% of companies on more than one occasion.

Inside our numbers

Our 2024 engagement activity comprised both thematic and company-specific discussions (Figure 18).

Thematic engagements are pre-planned initiatives where we engage with companies within a particular sector or market to address a specific issue or theme.

Company-specific engagements are identified by the analyst responsible for a particular stock when they surface during the analyst's comprehensive research on a company.

We classify engagements into three categories:

- **Engagements for change:** targeted engagements aimed at encouraging corporate change. Outcomes are classified as positive, ongoing or negative.
- **Information gathering:** engagements to deepen our understanding of ESG risks and opportunities, corporate strategy, risk management and financial performance.
- **Voting-related engagements:** discussions with companies where we have voted against specific resolutions, explaining our rationale in line with our voting policy.

Our voting record

In 2024, we voted on 6 244 resolutions at 482 meetings (Figure 21), covering all regions where we invest. Given our significant South African client base, a large proportion of the companies in which we invest are domiciled in South Africa. Consequently, we cast a large number of votes in this market (Figure 22).

Our voting approach emphasises constructive, pre-emptive engagement rather than formulaic voting, allowing for issues to be addressed before they reach a vote. However, where matters are unresolved or not resolved to satisfaction, we will cast a dissenting vote. Of the 482 meetings at which we voted, we cast at least one dissenting vote at 227 (47%) of these meetings (Figure 21). The number of meetings at which we cast dissenting votes varied by region, with the largest percentage of dissenting votes cast in respect of developed market companies (64% of meetings, Figure 27).

Most dissenting votes were cast on board structure (38%), followed by capital structure (33%, Figure 23). Figure 24 provides a breakdown of the percentage of votes against management proposals per topic, providing insight into issues that were more prevalent in the past year. 26% of our votes against management proposals related to capital structure, with a large proportion opposing blanket authorities to issue shares generally and unconditionally. Resolutions on auditors attracted 13% of votes against management, in line with our policy against firms exceeding a 10-year tenure.

The high number of dissenting votes on board structure (8%) was primarily driven by misalignment with our governance policies, limited time and/or information to adequately assess, and the complexity of voting systems in certain emerging markets, where structural nuances often lead to a significant number of dissenting votes when board candidates are elected.

Notably, 6% of our dissenting votes related to remuneration. The main reasons for voting against remuneration policies were:

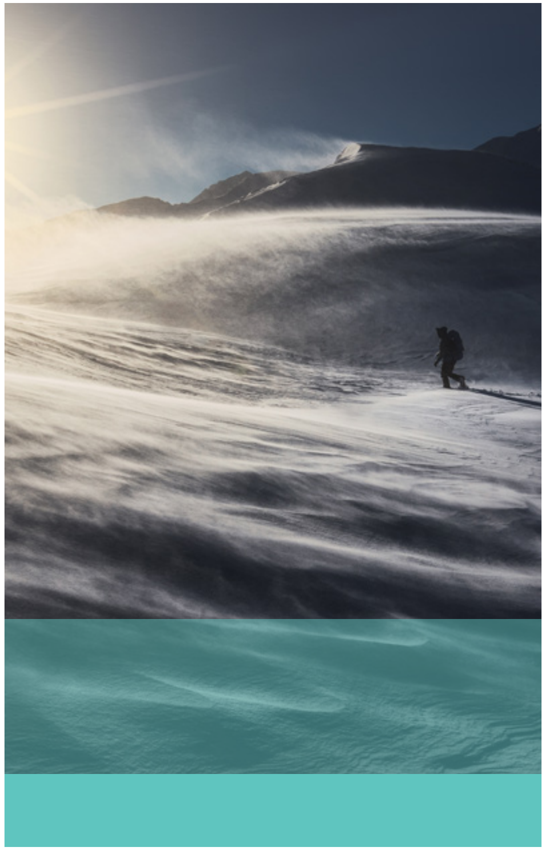
- The targets set by the company were considered insufficient to align remuneration with shareholder value creation.
- Inappropriate short-term and long-term incentives.
- Excessive remuneration not reflective of the value and contribution of executives.
- Absence of malus and clawback mechanisms to protect the company from fraud or material misrepresentation.
- Insufficient disclosure of remuneration structures and performance metrics.

The key issues that triggered dissenting votes varied by region:

- **South Africa:** The majority of dissenting votes were related to capital structure, particularly board requests for blanket authorities to issue shares generally and unconditionally (Figure 26).
- **Emerging markets:** Most dissenting votes in these markets were cast against board structure proposals (Figure 28). This was primarily due to misalignment with our governance policies, insufficient time or information to adequately assess board appointments, and the complexity of voting systems in

certain jurisdictions. These structural nuances often result in a high number of dissenting votes when board candidates are elected.

- **Frontier markets:** Similar to South Africa, dissenting votes in our frontier market portfolios were largely tied to capital structure (Figure 29). This included opposition to blanket authority to issue shares, as well as excessive rights issues. Additionally, we opposed resolutions where companies failed to provide sufficient information, limiting our ability to make an informed decision.



2024 Proxy voting record

FIGURE 21

DURING THE YEAR, WE VOTED ON

6 244 Resolutions **at** **482** Meetings

HOW WE VOTED:

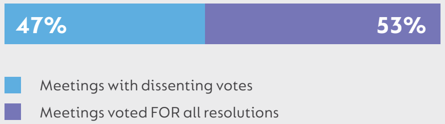


FIGURE 22: RESOLUTIONS BY REGION

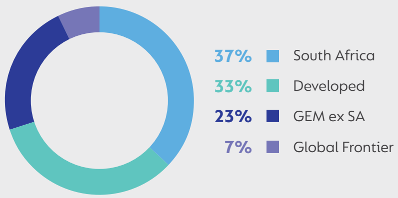


FIGURE 23: BREAKDOWN OF DISSENTING VOTES

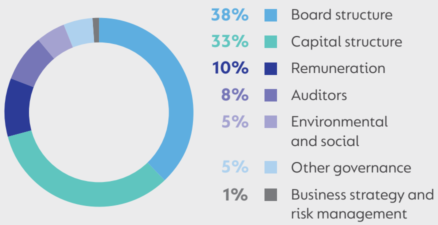


FIGURE 24: DISSENTING VOTES AS A % OF TOTAL VOTES PER TOPIC

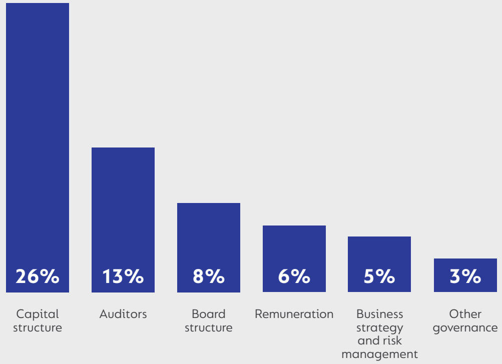
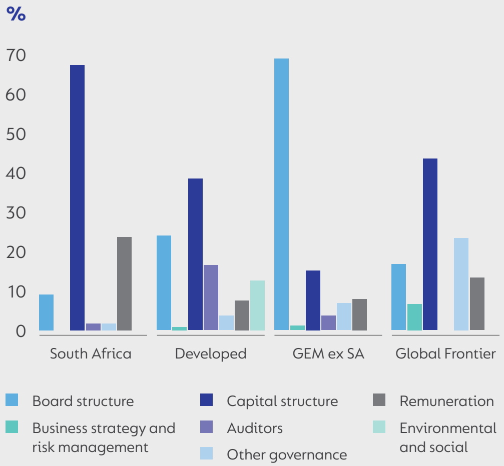


FIGURE 25: DISSENTING VOTES PER REGION



Voting statistics by region

FIGURE 26: SOUTH AFRICA

WE VOTED ON:

2 286 Resolutions at **131** Meetings

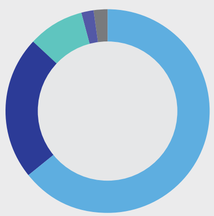
65 Meetings with dissenting votes

HOW WE VOTED:

50% | 50%

- Meetings with dissenting votes
- Meetings voted FOR all resolutions

BREAKDOWN OF DISSENTING VOTES



65%	Capital structure
23%	Remuneration
9%	Board structure
2%	Auditors
2%	Other governance

FIGURE 27: DEVELOPED MARKETS

WE VOTED ON:

2 046 Resolutions at **137** Meetings

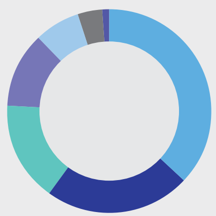
88 Meetings with dissenting votes

HOW WE VOTED:

64% | 36%

- Meetings with dissenting votes
- Meetings voted FOR all resolutions

BREAKDOWN OF DISSENTING VOTES



37%	Capital structure
23%	Board structure
16%	Auditors
12%	Environmental and social
7%	Remuneration
4%	Other governance
1%	Business strategy and risk management

FIGURE 28: EMERGING MARKETS (EX SA)

WE VOTED ON:

1 461 Resolutions at **157** Meetings

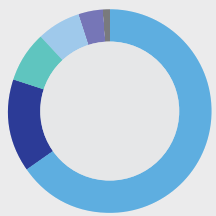
60 Meetings with dissenting votes

HOW WE VOTED:

38% | 62%

- Meetings with dissenting votes
- Meetings voted FOR all resolutions

BREAKDOWN OF DISSENTING VOTES



66%	Board structure
15%	Capital structure
8%	Remuneration
7%	Other governance
4%	Auditors
1%	Business strategy and risk management

FIGURE 29: GLOBAL FRONTIER MARKETS

WE VOTED ON:

451 Resolutions at **57** Meetings

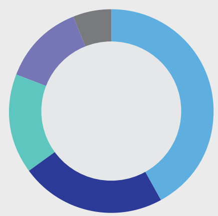
14 Meetings with dissenting votes

HOW WE VOTED:

25% | 75%

- Meetings with dissenting votes
- Meetings voted FOR all resolutions

BREAKDOWN OF DISSENTING VOTES



42%	Capital structure
23%	Other governance
16%	Board structure
13%	Remuneration
6%	Business strategy and risk management

Values may not sum to 100% due to rounding

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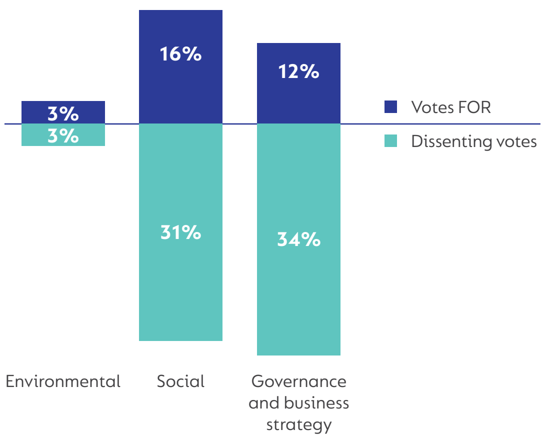
Shareholder proposals

In 2024, we voted on 86 shareholder proposals, supporting 31% and opposing 69% (Figure 30). Shareholders raised various issues during the year, with a general increase in activity levels across ESG factors. While we saw a decrease in the number of shareholder proposals, several US companies, including Amazon (14), Alphabet (12), Meta Platforms (10), and Tesla (7), continue to attract a large number of shareholder proposals. Key topics included human rights, political activities, and artificial intelligence. New resolutions specifically focused on companies' use of AI, as its development continues to outpace regulations. Over time, these resolutions have become increasingly demanding and prescriptive, which has led to lower levels of shareholder support.

FIGURE 30: SHAREHOLDER PROPOSALS



Values may not sum to 100% due to rounding

SDG alignment: proportion of engagements by goal

The Sustainable Development Goals (SDGs) are a set of 17 interconnected goals adopted by the United Nations in 2015. The SDGs encompass a wide range of social, economic, and environmental issues, aiming to tackle poverty, inequality, climate change, environmental degradation and to promote peace and prosperity for all. We believe the long-term prosperity of businesses and the achievement of SDGs are closely interconnected. The adjacent chart demonstrates the percentage of issues and objectives engaged on in 2024 that are directly linked to an SDG. +

16 Peace and Justice	20.6%
13 Climate action	16.5%
12 Responsible consumption and production	9.1%
2 Zero hunger	8.2%
7 Affordable & clean energy	7.7%
6 Clean water and sanitation	7.7%
14 Life below water	7.2%
9 Industry, innovation and infrastructure	5.8%
8 Decent work & economic growth	5.6%
3 Good health & well-being	3.5%
11 Sustainable cities and communities	1.9%
1 No poverty	1.8%
10 Reduced inequalities	1.8%
5 Gender equality	1.5%
17 Partnerships for the goals	0.7%
15 Life on land	0.4%

Engaging for better environmental outcomes

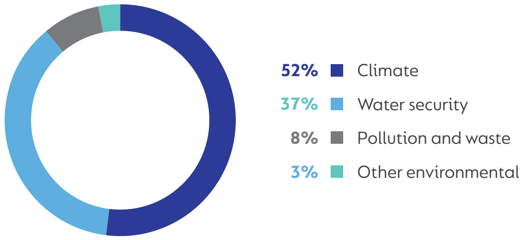
Environmental issues impact companies in our investment universe in a variety of ways, leading to engagements across a broad spectrum of thematic and company-specific topics during 2024.

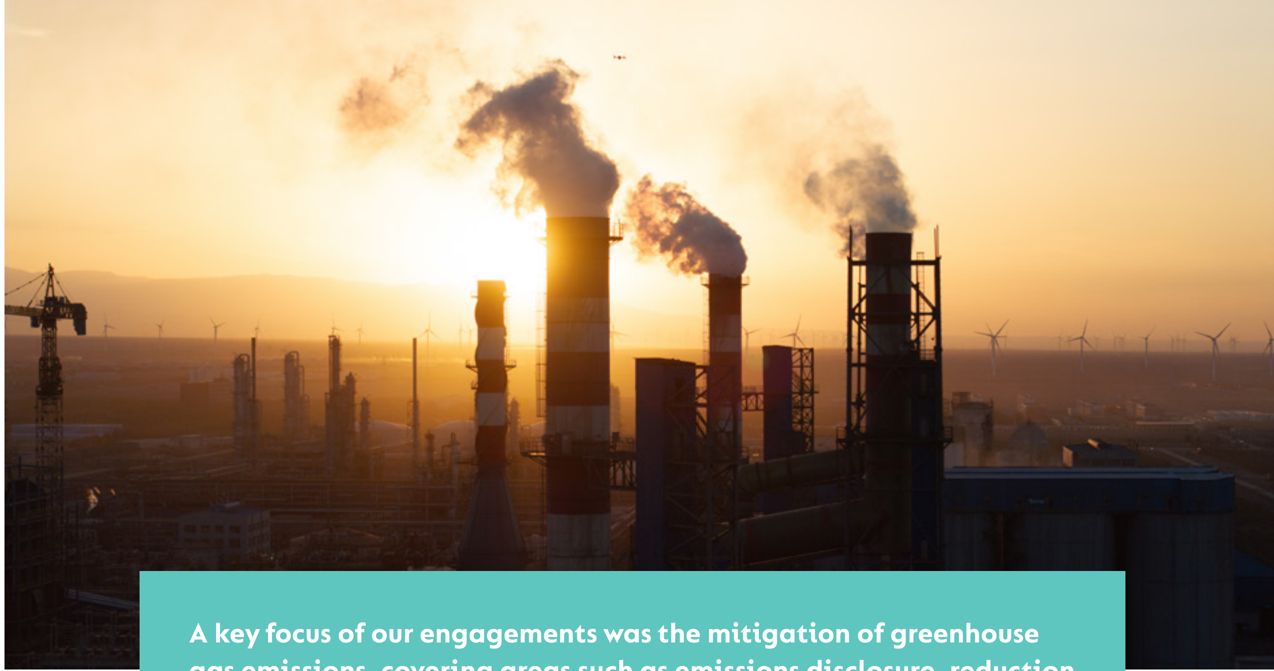
Given the systemic risk posed by climate change, this remains a key thematic focus. We engaged with 20 focus companies in our South African and Global Emerging Market universes to assess and advocate for improvements in their climate-related strategies (see page 66 for more details about this project). We also engaged with listed property companies to understand their progress in transitioning to renewable energy sources (see page 30).

Water scarcity is a pressing concern, particularly in the South African context, where many businesses face significant water-related risks. To address this challenge, we conducted an in-depth analysis on water risk for companies in our South African investment universe, focusing on those companies where water risk was identified as a material issue (see page 33).

In addition to these thematic engagements, we held a broad range of company-specific discussions on environmental topics throughout the year (Figure 31).

FIGURE 31: ENVIRONMENTAL ENGAGEMENTS





A key focus of our engagements was the mitigation of greenhouse gas emissions, covering areas such as emissions disclosure, reduction targets and long-term transition strategies.

Climate change

Climate change-related issues accounted for 50.5% of the environmental matters that we addressed in 2024. A key focus of our engagements was the mitigation of greenhouse gas (GHG) emissions, covering areas such as emissions disclosure, reduction targets and long-term transition strategies.

We continued our engagement with **Amazon** regarding the completeness of their scope 3 emissions reporting, which currently only includes a portion of their product-related value chain emissions. This issue was first raised with the company in 2022. Given the company's lack of progress in addressing our concerns, we decided to escalate our engagement through a collaborative approach. In 2023, we published a letter describing our process and concerns on the PRI Collaboration Platform and invited other investors to sign a joint letter. This project attracted 21 other investor signatories representing $398.7bn in assets under management. In 2024, we sent another co-signed letter raising our concerns and requesting a meeting, but we have been unsuccessful to date despite escalating the issue through collaborative investor letters. To coordinate the next steps, we participated in three calls with other investors. Additionally, we voted in favour of a shareholder resolution addressing this issue. While the resolution received 15% support, this did not result in changes in the company's disclosure and the proponents intend to re-file the resolution during 2025. We have applied to co-file, marking an appropriate escalation in our engagement efforts. We will continue to monitor the situation and explore other avenues to achieve our goal.

Sasol remains the largest corporate emitter of GHGs in our South African investment universe. In 2024, we had seven engagements with the company, discussing several issues, including climate change. We reiterated the need for Sasol to prioritise sustainable and profitable production, which will be critical for providing the resources to meet its emissions targets.

We engaged several companies on the appropriateness of their emissions reduction targets. For example, we requested that **TotalEnergies** set and disclose scope 3 emissions intensity targets for its gas products, enabling a clearer timeline for use of this transition feedstock. (With a lower carbon intensity than coal, gas serves as a transition energy source during the shift to renewables.) While the company has publicly committed to reducing scope 3 emissions for oil products, it does not plan to reduce overall scope 3 emissions by 2030. This indicates a phase-down of its oil products and phase in of more gas, as demand for this transition feedstock grows. We therefore believe it is appropriate to set gas-related intensity targets to promote more efficient production, even if the company plans to scale up volumes.

We also considered the appropriateness of climate targets set by **Nedbank**. We questioned whether the group's targets for its oil and gas lending portfolio aligned with its ambition to grow in Mozambique and Namibia. The company indicated that its board is comfortable that growth in these regions can be accommodated while staying within targets, potentially by reducing exposure elsewhere if necessary.

We visited one of the **Ivanhoe Mines** sites in the Democratic Republic of the Congo, where we discussed the company's emissions reduction strategies, including upgrading its hydro power infrastructure, reducing truck usage for copper transportation, and implementing measures that are expected to reduce scope 3 emissions by 40% once complete.

The question of divestment from carbon-intensive assets remains a key issue. We have consistently expressed our preference for fossil fuel companies to manage down their exposure responsibly rather than spinning off their assets or selling them to private buyers, which could lead to unintended consequences such as reduced transparency or misaligned incentives.

We have consistently expressed our preference for fossil fuel companies to manage down their exposure responsibly rather than spinning off their assets or selling them to private buyers, which could lead to unintended consequences.

In 2024, **Glencore** considered spinning off its coal assets into a separate company. We reiterated our stance that they should retain their coal operations rather than divest. Following shareholder consultations, Glencore ultimately decided not to proceed with the spin off.

Collaboration is an important tool in our engagement strategy, allowing us to leverage collective influence for greater impact. As an individual engager on Sasol within the **CA100+** initiative, we shared insights on our experiences with the CA100+ team, who reached out to us to discuss our plans for engaging with Sasol during 2025. We highlighted that due to recent management changes, Sasol is expected to present an updated strategy. More details are to be communicated in 2025, after which we will be in a position to formulate an updated engagement plan. We also provided some insight into our recent engagement activities with Sasol through the submission of the Annual Engagement Survey to CA100+.

We also participate in the CA100+ collaborative engagement with the state power utility Eskom, South Africa's largest single emitter. As a collaborating engager, we attended a group call with the lead engager to discuss the status of the engagement and key focus areas, including the decommissioning of coal power stations, the need for a credible just transition plan and a key person driving Eskom's sustainability division. The lead engager will continue discussions into 2025, with plans to arrange a group call with the company. We support the identified focus

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areas and will actively participate in these future engagements, advocating for meaningful decarbonisation progress.

Pollution and waste

Pollution has significant environmental and human health implications, and many companies in our investment universe cause pollution as a by-product of their operations. It is therefore crucial for them to mitigate their environmental impact to avoid financial, reputational and regulatory consequences.

Since 2019, we have engaged with South African food retailers on plastic waste as part of thematic engagement projects. In 2024, we met with **GreenCape**, an organisation that facilitates the SA Plastics Pact – a collaborative initiative aimed at promoting a circular economy in South Africa. The purpose of this engagement was to gain deeper insight into the SA Plastics Pact to inform our research and future discussions with food retailers. GreenCape provided valuable information on how the initiative works and answered key questions that will help shape our engagement strategy going forward.

Food waste is another critical issue, contributing to greenhouse gas emissions while also representing a missed opportunity to help alleviate global hunger. During the year we reached out to **Remgro**, a holding company with various food manufacturing interests, **City Lodge** and **Southern Sun**, to discuss their approach to mitigating food waste. Our discussions focused on the challenges they face, the actions they have taken to minimise waste, and their engagement efforts across the value chain to address these challenges.

As part of our research, we identified negative news reports regarding air pollution at **Vale**, a Brazilian mining company. In response, we engaged with Vale to understand their air quality and dust monitoring controls. The company provided details on their pollution mitigation measures as well as their ongoing monitoring and analysis of air quality levels. Based on the company's response, the controls described appear to be appropriate. We will, however, continue to monitor developments in this area.

Water security

Water is a critical resource for many businesses, playing a fundamental role in their operations and supply chains. However, water scarcity is projected to intensify in many regions due to the worsening effects of human-induced climate change. In South Africa, this is further compounded by failing municipal water infrastructure. Recognising these risks, we embarked on a thematic engagement project with South African investee companies on water-related challenges. The project is detailed on page 33.

Water scarcity is projected to intensify in many regions due to the worsening effects of human-induced climate change.

In addition to our thematic engagements, we also engaged directly with individual companies about water-related issues as they emerged. For example, in 2024 we engaged with **Sasol** regarding delays in obtaining water licences for two of its sites. Sasol has since secured both licences, ensuring responsible management of water resources at its coal mining operations.

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Case study

Navigating EV transition and coal exposure

COMPANY
ASTRA INTERNATIONAL

REGION
INDONESIA

ACTION
IN-PERSON MEETINGS

OUTCOME
ONGOING

In line with our valuation-driven investment philosophy, our engagements with Astra International underscore the importance of developing a holistic understanding of a company and the nuances of its specific context, particularly in assessing sustainability-related matters that could impact its intrinsic value.

Astra is one of Indonesia's largest conglomerates, with significant operations in carbon-intensive sectors such as automotive manufacturing, heavy equipment and mining. With a market value of $12bn at the time of writing, it is one of the largest companies listed on the Indonesian Stock Exchange. It is majority owned by Jardine Cycle & Carriage, whose ultimate holding company, Hong Kong conglomerate Jardine Matheson, boasts a storied two-century legacy that reflects its commitment to long-term value creation. Astra operates through nearly 300 subsidiaries, joint ventures and associate companies, employing over 200 000 people across diverse industries.

The group's largest share of earnings stems from its automotive business, which includes manufacturing, assembling and selling motor vehicles and motorcycles, while its heavy equipment and mining contracting businesses contribute the second largest share. Together, these sectors account for approximately two-thirds of the company's earnings, with financial services – largely geared towards supporting the automotive business – making up a significant portion of the remainder.

Issue

Two main themes have the potential to impact Astra's intrinsic value, both of which are critical to understanding its long-term sustainability. First, the automotive industry is undergoing significant transformation globally as it transitions to electrification. Astra's transition to electric vehicles (EVs) has lagged behind most of its global peers. This slower pace raises concerns about potential long-term disadvantages, such as missed opportunities to meet evolving consumer preferences and adapt to changing regulations. To assess the company's long-term value, it is crucial to fully understand Astra's strategy for EV adoption as the timing and execution of their transition will influence the company's long-term value creation and shareholder outcomes.

The second theme is its exposure to coal mining through its majority stake in United Tractors (UT), a supplier of heavy machinery to the mining industry. The degree to which Astra can mitigate this exposure will also influence its valuation, as coal-related revenues carry environmental, reputational, and regulatory risks.

Action

We engaged with Astra's CFO in both 2023 and 2024 to gain deeper insights into the company's plans for transitioning to EVs, and its views on its exposure to coal mining. The company noted their commitment to gradually increase non-internal combustion engines (ICE) sales but highlighted several barriers to the widespread adoption of EVs in a developing country like Indonesia.

The most significant challenge is affordability. With GDP per capita at $5 000, Indonesia is a lower-middle-income country. The vast majority of vehicles sold are entry-level models priced to align with the population's purchasing power – well below the cost of EVs and hybrids.

However, per capita income in Jakarta, the capital, is 3 to 4 times the national average and affordability is less of an issue there. In the first half of 2024, nearly 1 in 10 of their vehicle sales in Jakarta were either EVs or hybrids, with hybrids dominating due to the limited availability of charging infrastructure. Most EVs sold were purchased by wealthy households as second, third or fourth cars, and they were often purchased to bypass anti-congestion regulations. Jakarta enforces an odd/even licence plate system for using roads, effectively allowing someone with only one car to use their car only every second day on most highways. EVs are exempt from these restrictions, as the government seeks to promote EV adoption by allowing unrestricted road access.

The second area of engagement focused on UT. A significant portion of UT's revenue is derived from sales to coal mining, raising concerns about its environmental impact and long-term viability. We engaged with them to understand their view on possible divestment from this business, noting that this is not a core part of Astra's business and that they may be facing pressure to divest from other investors.

The company explained that it had previously considered reducing its stake in UT by 10%, which would have lowered its ownership to below 50%. This would have allowed it to deconsolidate UT and potentially reduce external scrutiny. However, Astra decided against this approach as it believes that retaining control allows it to better drive ESG improvement across the group. UT is highly cash generative, and Astra has pledged to use the cash generated to invest in other parts of its business with stronger ESG credentials.

Outcome

Astra's approach reflects the complexities and trade-offs unique to emerging markets and highlights the interplay between sustainability considerations and financial realities. Many of the barriers to EV adoption seen in Indonesia are shared by other emerging markets, suggesting that Indonesia's experience may serve as a precursor for similar trends elsewhere. For instance, India, with a GDP per capita currently half that of Indonesia and a comparable income disparity between major cities and rural areas, is likely to face similar challenges.

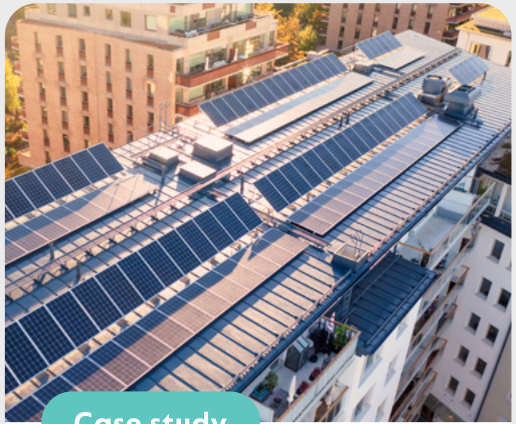
In Indonesia, significant structural barriers need to be addressed before EV adoption can gain momentum. For instance, most households lack the 7 700VA electrical connection required to charge an EV (Indonesia uses a 240V power supply, which corresponds to a 32A electricity supply). Until widespread public charging infrastructure is available, the number of households able to own an EV will be limited. Furthermore, the carbon footprint of EVs in Indonesia will not be much different to that of ICE vehicles, as the national electricity grid relies predominantly on coal.

Projections indicate that renewables will not become the majority source of electricity in Indonesia until at least 2040. In the long term, Astra believes it will be at the forefront of driving EV adoption in the country as it has extensive nationwide distribution and financing capabilities to support the transition.

Projections indicate that renewables will not become the majority source of electricity in Indonesia until at least 2040.

However, success will hinge on balancing immediate financial realities with shifting regulations and market preferences.

By engaging directly with Astra on these critical themes, we aim to deepen our understanding of how these sustainability-related factors could influence its long-term value. We will continue to monitor Astra's progress on both these matters, particularly its ability to navigate these challenges while delivering long-term value for shareholders in an increasingly dynamic environment.



Case study

Solar journey of the South African real estate sector

COMPANY

REAL ESTATE SECTOR

REGION

SOUTH AFRICA

ACTION

MEETINGS

OUTCOME

POSITIVE AND ONGOING

In recent years, South African listed property companies have made significant strides toward a more sustainable energy supply by integrating renewable energy sources – particularly solar – into their energy mix (see Figures 32 and 33). An important driver of the transition is the operational need for reliable and affordable energy supply. As responsible stewards of our clients' capital, we actively seek to understand how property companies are mitigating energy-related risks and explore the extent to which further mitigation is possible. Additionally, with the built environment accounting for nearly 40% of global energy-related carbon emissions, this sector has a critical role to play in accelerating the transition to renewable energy sources and limiting global warming.

This case study outlines the solar energy journey of property companies, highlighting the key drivers of the transition, as well as the challenges and opportunities that lie ahead.

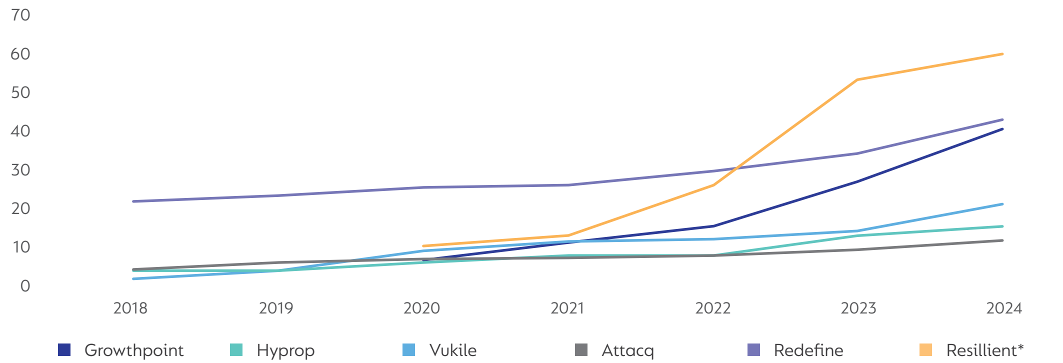
Adoption of renewable energy

The transition from fossil fuel-generated electricity to renewable energy by locally listed landlords has been a gradual process. High capital costs associated with renewable energy initially outweighed the reputational benefits and tenant demand for access to cleaner energy solutions. As a result, early carbon reduction efforts focused on energy efficiency rather than alternative energy generation. Landlords prioritised operational improvements, such as controlled lighting, motion sensors, daylight harvesting and LED technology before committing to large-scale investments.

A step change in the adoption of renewable energy sources, especially solar, occurred between 2020 and 2022, driven by:

- Persistent double-digit electricity tariff increases by Eskom.
- Regulatory reforms, exempting generation projects up to 100MW from obtaining a licence from NERSA (the National Energy Regulator of South Africa).

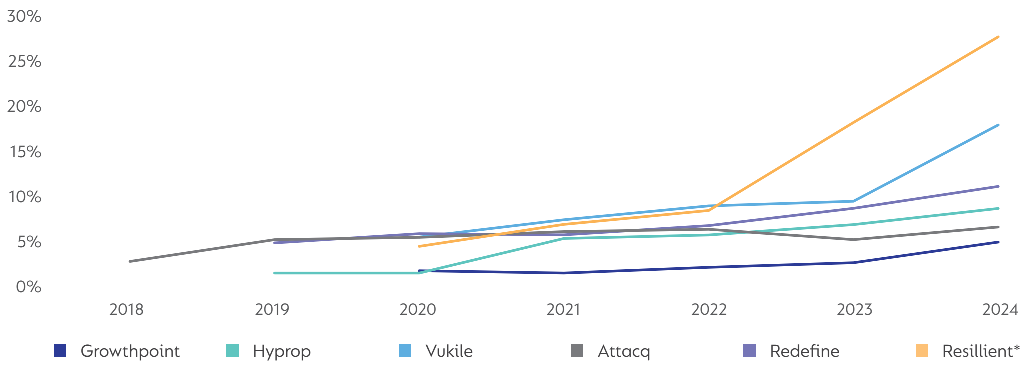
FIGURE 32: INCREASE IN SOLAR CAPACITY IN THE LISTED REAL ESTATE SECTOR



*Includes battery storage

Source: Coronation calculations and company reports

FIGURE 33: SOLAR AS % OF TOTAL ENERGY CONSUMPTION



*Includes battery storage

Source: Coronation calculations and company reports

- Unsustainable increases in the severity of loadshedding and its financial impact on tenants.
- Advances in solar and, more recently, battery technology, improving financial feasibility for landlords.

Benefits for landlords

For Coronation, as an investor in the local listed real estate sector, it has become increasingly evident that integrating solar energy and other viable renewable energy sources into the energy mix is now a business imperative for landlords. What was initially viewed as a solution to loadshedding has evolved into a critical factor in securing tenants and ensuring seamless operations. In addition, by selling electricity to their tenants, the provision of solar electricity has gradually become a new source of revenue and a unique differentiator rather than solely a capital expenditure for landlords.

Consequently, energy solutions have become a key topic of engagement in our interactions with companies. From a financial perspective, the potential for additional revenue through independent electricity generation has increased in importance. Hand-in-hand with this shift is the capital required to expand the adoption of alternative energy sources across property portfolios. This challenge was particularly pronounced in the period following COVID-19, when many balance sheets were under pressure, and capital allocation priorities were spread thinly across businesses.

Energy-related discussions with executive management teams typically occur in one-on-one meetings post financial reporting, where companies provide progress updates on solar roll-outs, capital requirements to achieve internally set goals for alternative energy penetration, and financial benefit for landlords and tenants. Additional insights are gained during capital markets days, during real estate industry-related conferences, and direct engagement with sustainability executives on topics such as wheeling and off-take agreements.

Where to from here?

One of the biggest challenges to the adoption of solar energy as an alternative to grid-supplied electricity is that the current inadequacy of battery storage means that one is still dependent on the existing electricity grid. When the grid is down, and sunlight is unavailable, diesel generators must be used, limiting the carbon emission reduction benefits of solar power. For landlords to achieve meaningful reductions in carbon emissions, they must invest in comprehensive energy solutions that account for ongoing loadshedding risks in the short to medium term.

Coronation closely monitors the adoption of renewable energy sources by local listed property landlords. Recent financial reporting cycles have demonstrated the financial benefits of renewable energy, particularly in managing operating costs and alleviating operating margin pressures. One of the factors that influences the financial benefit is the extent to which they manage to implement a holistic solution, for example by establishing a "microgrid". This solution integrates renewable energy into a hybrid system that combines grid power, solar panels, batteries and diesel generators into an on-site microgrid, with the flexibility to add additional power sources in the future. Given the limitations of solar energy, this approach provides a more reliable way to leverage its benefits. Furthermore, independent power purchase agreements (PPAs) and wheeling arrangements also present new opportunities for landlords to optimise energy use and costs. Wheeling electricity back into the grid enables property companies to invest in renewable projects at off-site locations. Landlords can also invest in solar on large roof spaces like warehouses and use the electricity at one of their other, more energy intensive properties.

Despite significant progress, multiple factors continue to shape the energy transition, including technological advancements that will ultimately determine the extent to which renewable energy can be integrated into a property portfolio's total energy consumption. Some listed players have set ambitious targets, aiming for up to 50% of their total energy consumption to be sourced from renewables, representing a substantial step change in adoption.

Retail landlords are expected to lead this transition, given their larger roof space for photovoltaic (PV) installations and higher tenant energy intensity. However, most landlords' solar adoption remains in its early stages, presenting a significant opportunity for further expansion as part of broader, long-term energy strategies.

Independent power purchase agreements (PPAs) and wheeling arrangements also present new opportunities for landlords to optimise energy use and costs.

The past few years have underscored the importance of incorporating renewable energy into a landlord's energy mix – not only as a mark of responsible corporate citizenship but also as a strategic tenant management tool and, increasingly, a financial advantage that could drive shareholder value. Recent results announcements have highlighted a clear distinction in cost management between landlords. Those with a higher share of renewable energy in their portfolios are seeing significant benefits, especially in the current environment where reduced loadshedding has made renewable energy an even more important tool in utility cost management. We will therefore continue to encourage landlords to prioritise the adoption of renewable energy as part of their broader utility management strategy. Our engagements will also focus on deepening our understanding of company-specific intricacies and obstacles in adopting renewables, ultimately driving greater adoption, and unlocking both operational and financial benefits. +

Addressing South Africa's water crisis

Water security is a systemic risk for many South African businesses, posing operational and financial threats across industries. Since 2023, we have engaged with companies and other stakeholders on this issue through a series of thematic projects. These initiatives include ongoing research to assess the severity of the crisis, track government interventions, as well as targeted engagements with companies to evaluate corporate water-related disclosures. As responsible stewards of our clients' capital, our goal is to determine how effectively businesses are mitigating water risks within their operations and advocate for improved strategies where required.

This report begins with an in-depth analysis of how the water crisis is shaping South Africa's operating environment. For details on our company engagements, refer to page 36.

Pressure on South Africa's available supply of water

South Africa faces ongoing and intensifying pressure on its available supply of water. At a national level, the country is overexploiting its water resources, which themselves are already stressed by inherent scarcity, climate change, poor planning and the inadequate maintenance of bulk water resources. On the demand side, over-extraction of water resources by agricultural, industrial and municipal services, exacerbated by population growth in key metropolitan areas, poor infrastructure maintenance and high rates of water loss (also known as "non-revenue water") already exceed sustainable supply levels. Based on best estimates, South Africa is quickly approaching the point where all easily accessible freshwater resources are fully utilised.[9] There are several factors which will continue to contribute to the escalation in South Africa's water-related challenges:

1. Inherent water scarcity is aggravated by global climate change and local climate variability.
2. Climate change also affects the hydrological cycle, changing the timing and distribution of rainfall and river flow, which can increase incidents of flooding and/or drought and severely strain the ability of water infrastructure to cope with these changes.
3. Pollution is an ongoing problem, as urbanisation, deforestation, the destruction of wetlands, industrial and mining waste, dysfunctional municipal sewerage systems as well as inadequate or absent water treatment all contaminate the system.
4. Population growth in excess of investment into bulk water supply affects metros with large migrant populations, while KwaZulu-Natal and Gauteng are challenged by delayed infrastructure investment.
5. Deeply degraded municipal infrastructure, including water treatment works, pipelines, storage and reservoirs.
6. Water loss through leakage and illegal connections.

Deteriorating infrastructure

Since 1994, the government's water master plan has prioritised the provision of water services to 95% of the population. Prioritising water services has come at the expense of investment into infrastructure across the water supply chain, leaving existing infrastructure stretched to a maximum.

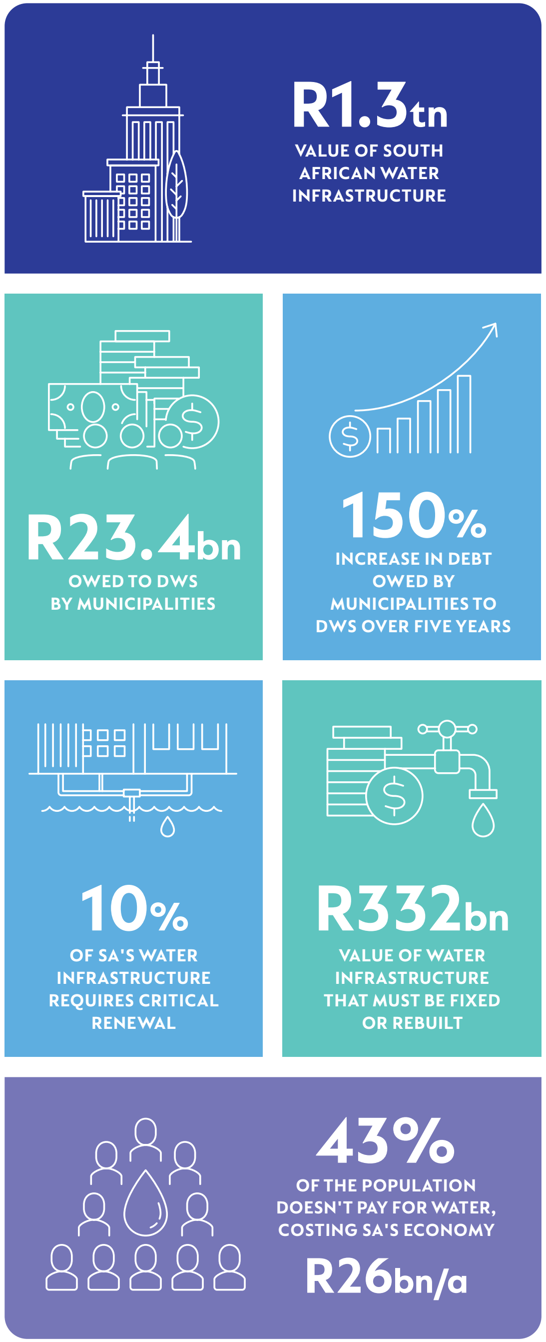
Physical water scarcity and pressure on infrastructure in the Western Cape and Gauteng are exacerbated by migration. While Gauteng as the economic heartland attracts people from other provinces as well as the broader region, the Western Cape has seen strong inter-provincial migration. According to StatsSA, the population of the Western Cape is 81% larger in 2024 than 2000, while Gauteng has more than doubled. In neither region has there been sufficient investment into new bulk water resources. The Berg River Dam, completed in 2009, increased the Western Cape's supply by 20%, which is inadequate given population growth in the region. In the case of Gauteng, investment delays related to the Lesotho Highlands Water Project's Phase II, which will add 470 million kilolitres of water to the Integrated Vaal River System and will only be completed in early 2029, will see supply shortages persist until then.

The South African Institute of Civil Engineers (SAICE) gives South Africa's water infrastructure a low rating, emphasising the deterioration of bulk water infrastructure because of insufficient maintenance which increases water loss. Non-revenue water (NRW), water which is supplied but is lost to leaks, or theft, and not billed is in some areas as high as 47% of water provided. The state of water infrastructure has a major influence on the overall effectiveness of water management and stewardship. High NRW coupled with overextrapolation, pollution and high per capita consumption raises overall system risk, but has also contributed to localised crises, especially in Gauteng.

Prioritising water services has come at the expense of investment into infrastructure across the water supply chain, leaving existing infrastructure stretched to a maximum.

According to research by UNISA[10], South Africa's infrastructure has been valued at R1.3 trillion; a total of R332 billion must be fixed or rebuilt, and 10% requires critical renewal. Furthermore, municipalities owe the Department of Water and Sanitation (DWS) a total of R23.4 billion – an increase of over 150% over five years – and 43% of the population does not pay for water, costing the country's economy R26 billion annually.

[9] *Thanks to Richard Meissner and Anja du Plessis from UNISA for bespoke work on water for Coronation*
[10] *Du Plessis, Anja and Meissner, Richard "Synthesis of South Africa's Freshwater Reality and Outlook for 2025 Onwards. UNISA, 2025*



Government intervention

The scope and severity of the water-related crises have led to the mobilisation of a range of targeted initiatives. At a national level, President Ramaphosa in his State of the Nation Address (SONA) made important references to the range of work underway in the sector, including R23bn secured by the Infrastructure Fund for investment in seven large infrastructure projects. The National Water Resource Infrastructure Agency has been established, creating a single national entity overseeing the management and maintenance of water resources. The Water Partnership Office, housed within the Development Bank of South Africa, has already begun engagement with the private sector to facilitate investment in water infrastructure development. The Water Services Amendment Bill creates a framework for private participation in municipal water service provision through a licensing process which will enable the DWS to ensure applicants qualify to ensure both maintenance and the provision of quality drinking water. These initiatives are all well underway.

Operation Vulindlela (OV), which is already aligned with the initiatives listed above, will intensify its interventions in the water sector under phase II of its programme. Specifically, OV will be looking at initiatives to address water scarcity through an updated Water Action Plan, while implementing institutional reforms to improve the management of national water resources. Importantly for municipal water service provisions, OV is working with National Treasury to separate the accounting of water services at the large metros to facilitate improved service delivery and enable investment. Greater capacitation and professionalisation of municipal management through minimum qualification standards is also underway.

In Gauteng specifically, the City of Johannesburg has developed a new Master Plan as of 2024 including immediate, medium- and long-term measures to ensure sustainable water supply through the maintenance, refurbishment and upgrading of existing infrastructure while adding new storage and pump facilities. Private sector assistance in leak detection and management, as well as demand management education are also underway. While these initiatives will take time to implement, the coordinated focus and multi-pronged approach should bear fruit.

The Portfolio Committee for Water and Sanitation convened in late 2024 to address municipal debt to the Water Boards. While a number of suggestions are being considered, National Treasury has committed to withhold equitable share disbursements to worst offending municipalities until payment agreements are made and payments resume.

Overall, the challenges facing the water sector are multifarious, intensified by the complexity of the national water system, structural scarcity, climate change and a range of issues related to poor infrastructure. However, the growing body of interventions represents an encouraging start to better equipping South Africa to address these challenges.

Engagement project

Our thematic engagement project began in 2023 with an assessment of water risk across the JSE Top 100. We evaluated water usage reduction, risk management practices, water reduction targets, exposure to high-stress water regions, and penalties related to water use among companies with significant risk exposure.

We identified 58 companies requiring closer scrutiny of their water-related disclosures. Through this process, we identified 20 companies that lacked sufficient details. Through 25 interactions with these companies, we gathered additional information.

In 2024, we conducted a second round of research to deepen our analysis of company disclosures. We identified 31 companies for further assessment, focusing on high water consumers and those operating in sectors and regions with elevated water risks (where we had access to this information). We scrutinised their public disclosures to identify shortcomings in the following areas:

- **Oversight:** Board and executive-level responsibility for water risk, including the presence of a publicly disclosed water risk management policy.
- **Mitigation techniques:** Actions taken to improve water efficiency and reduce withdrawals.
- **Targets:** Disclosure of absolute or intensity-based water reduction targets and whether these are linked to executive remuneration.
- **Risk assessment:** Processes for evaluating water risk exposure, particularly at a regional level, and the use of tools such as the WRI Aqueduct Tool or WWF Water Risk Filter.
- **Supplier analysis and engagement:** Policies for assessing and engaging suppliers on water risk, including any water-related contractual requirements.
- **Scenario analysis:** Use of scenario analysis to evaluate water security risks under different climate scenarios.
- **Gauteng:** Given the specific concerns regarding Gauteng, we assessed businesses operating in this region and the extent of their exposure.
- **Other:** Assurance over water-related metrics, investment in community water security, monitoring of water withdrawal and consumption, and internal water pricing mechanisms.

Based on the outcome of this assessment for each individual company, we identified 18 companies for further engagement. The questions centred around the following topics:

- **Non-disclosure of water-related metrics:** One company had not disclosed any water usage data. We requested disclosure of water consumption or withdrawal figures.
- **Water risk management in Gauteng:** We engaged with eight companies to gather more details on how they manage water risk in Gauteng. In particular, we sought to understand their exposure and how they mitigate potential supply disruptions. We also enquired whether they were aware of the Department of Water and Sanitation's Platform for a Water Secure Gauteng (PWSG) initiative. This initiative draws on the public sector, private sector and civil society to strengthen water security. We asked these companies whether they had considered involvement in PWSG and, if so, how they plan to participate.
- **Processes and controls:** We requested more details on how companies assess water-related risk and respond to water loss events where disclosure was inadequate.
- **Water risk management policy:** For companies lacking a publicly available policy, we inquired about plans to publish one.
- **Target setting:** We engaged with companies about whether they plan to set water reduction or efficiency targets where there were none in place.

Lastly, one company had communicated plans to assess their suppliers' water impacts. We requested an update on progress and any plans to include water-related requirements into supplier contracts.

Findings

Our research and engagements revealed several recurring themes.

- **Common mitigation techniques:** All 31 companies report that they implement mitigation techniques. These include water efficiency measures, water recycling and reuse, alternative water sources (such as boreholes), water treatment (such as reverse osmosis), and water storage for supply interruptions.

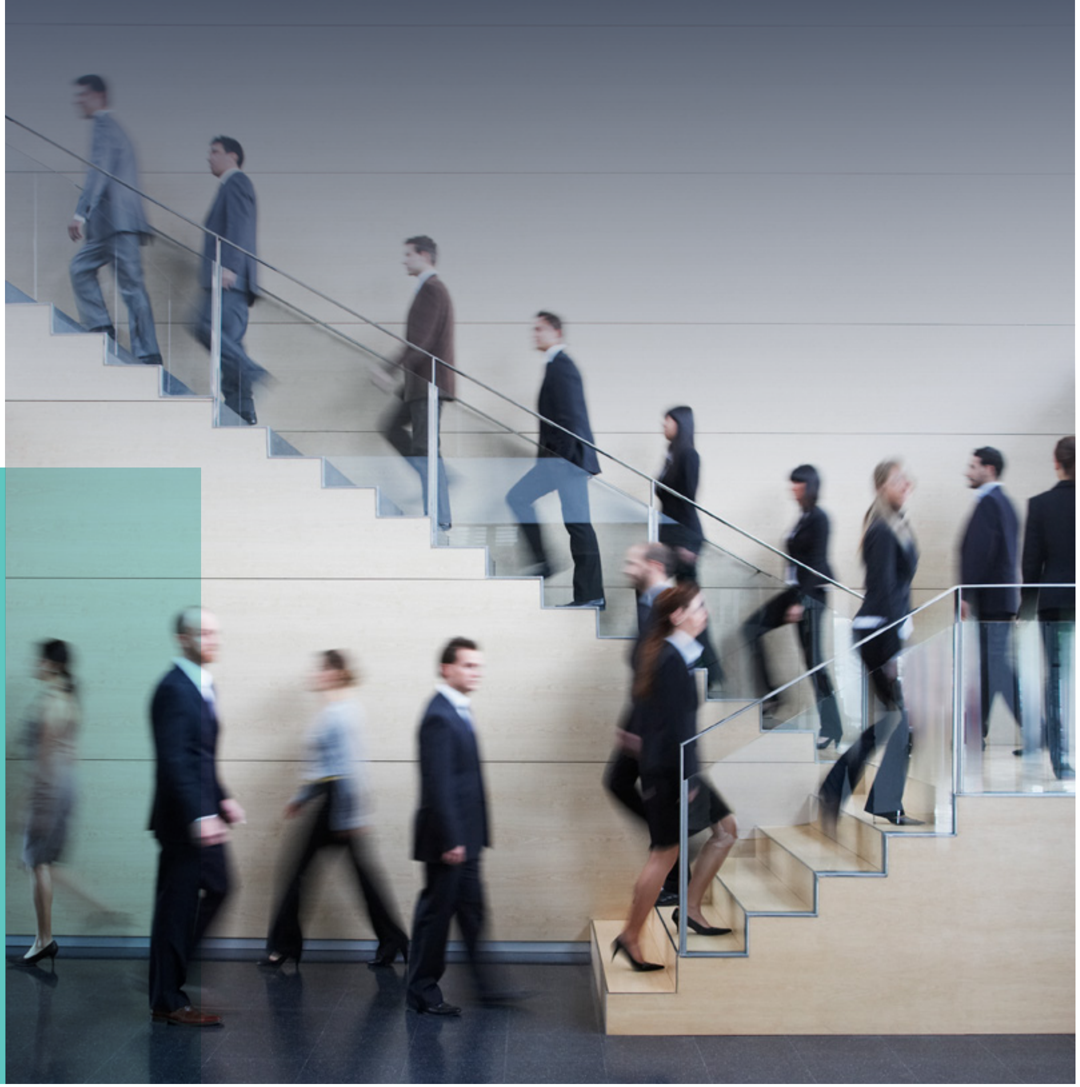
- **Water-related targets:** 90% of companies have set targets, either at a group or regional level. These targets cover water withdrawal, consumption, intensity, recycling, discharge reduction, certification against standards, compliance with water use licences, improving water, sanitation and hygiene and improved water treatment.
- **Risk assessments:** When assessing risk exposure, 87% of companies report that they consider the specific regions of their various operations separately. Most companies report an estimate of exposure to highly stressed regions. This enables them to target interventions accor-ding to risk profile.
- **Supply chain risk management:** 48% of companies assess water risks in their supply chains and 45% engage suppliers to promote responsible water use. However, only 23% of companies report that they include water-related requirements in supplier contracts.
- **Water-related key performance indicators (KPIs):** 55% of companies don't include water-related targets in executive remuneration. Among those that do, incentives are split fairly evenly between short-term and long-term plans, with a focus on quantitative measures.
- **Oversight:** All but one company (which lacked relevant disclosure) have Board and/or committee-level oversight of water or sustainability matters. Strong governance is key to ensuring responsible water management.

Conclusion

Water security remains a critical issue. We continue to monitor the various' mitigation strategies employed by different companies and engage with them where we have concerns or require additional disclosure. +

As responsible stewards of our clients' capital, our goal is to determine how effectively businesses are mitigating water risks within their operations and advocate for improved strategies where required.

Balancing business and social impact



The impact of businesses on their stakeholders is a critical consideration, shaped by complex socio-economic dynamics that influence both individuals and the broader business landscape. As shown in Figure 34, our 2024 engagements covered a diverse range of social issues, including labour standards and practices (17%), diversity, inclusion and company culture (17%) and health and safety (14%). These discussions were conducted through a combination of company-specific engagements and thematic projects, reflecting our commitment to addressing material social concerns across our investment universe.

Our engagements focused on issues affecting key stakeholder groups, including employees, consumers, and the local communities in which businesses operate, as set out below. Given the context-specific nature of social matters, meaningful engagement requires a deep understanding of the industry and geography in which a company operates. In addition to our thematic engagements, we also conducted several company-specific discussions, addressing a broad range of social concerns relevant to each business and its stakeholders.

Employee rights

In recent years, there has been a growing emphasis on stakeholder-centricity, with employees recognised as one of the most vital stakeholders in any business. A motivated and supported workforce is essential for driving productivity and ensuring sustainable growth.

As a result, it is imperative for businesses to prioritise employee well-being, engagement and development to foster a resilient and high performing organisation.

A key social challenge associated with the low-carbon transition is its potential impact on workers. As businesses adapt to a low-carbon economy, certain roles may become redundant, posing risk for groups of affected workers. As part of our climate-related engagements, we have sought greater disclosure from companies undergoing fundamental business model shifts, specifically regarding the workforce implications of their climate strategies.

For example, in 2024, we engaged with **Exxaro** on its efforts to support a just transition, specifically regarding the impact of its climate strategy on its workforce. While we understand that the full impact – including the number of affected employees and associated costs – is not yet clear at this stage, we emphasised the importance of enhanced disclosure as Exxaro gains more visibility over time.

FIGURE 34: ENGAGEMENT THEME – SOCIAL

- 17% Labour standards and practices
- 17% Diversity, inclusion and company culture
- 14% Health and safety
- 9% Cyber security
- 7% Community rights
- 7% Ethical practices and policies
- 3% Restructuring and job losses
- 27% Other social

Values may not sum to 100% due to rounding

Additionally, as part of our thematic project on climate change, we engaged with several other companies about their just transition plans (refer to page 66). This remains a key focus area, and we will continue to monitor and engage with companies navigating this transition.

Our investments span multiple jurisdictions, each with unique labour policies and regulations. Where concerns arise regarding an investee company's labour practices, we engage to investigate further.

In 2024, we engaged with two railway companies, **Canadian Pacific Kansas City** and **Canadian National Railway**, about minimum leave provisions. Both companies faced shareholder resolutions proposing that their boards negotiate paid sick leave policies with all unions representing their US workforce. While both companies published responses, we had a few residual concerns and reached out to further clarify minimum leave provisions as well as the bargaining process with the various unions. Canadian National explained that it negotiates paid sick leave with individual unions, and Canadian Pacific similarly engages in separate bargaining agreements with unions.

Based on our review of their policies and direct engagements, we believe that both companies follow a fair approach. As a result, we supported managements' positions in this matter.

Technological advancements also continue to affect business operations. One such example is the potential impact of Artificial Intelligence (AI) on the **banking sector**. In 2024, we reached out to a few of the banks in South Africa to understand their perspectives on AI-driven workforce changes. They confirmed that their boards had considered the impact of AI on their workforce and that plans are underway to retrain some of the affected employees.

Our investments span multiple jurisdictions, each with unique labour policies and regulations.

We also embarked on a thematic engagement project on **mining safety**, engaging with companies exhibiting worrying injury rates and/or fatalities or where long-term safety trends raised concerns (refer to page 42).

Consumer protection and financial inclusion

Consumer protection is fundamental to sustainable business operations, helping to mitigate reputational and financial risks. In an increasingly digital world, companies face growing exposure to cyber security threats and data privacy breaches, making robust security measures more critical than ever.

Given its role in processing large volumes of sensitive customer data, we engaged with **Capitec** to understand the measures it has implemented to manage these risks. The company outlined several key measures to enhance cyber security and data protection including that all high-risk data is securely stored in the cloud, and it conducts extensive penetration testing to identify and address any potential weaknesses. Additionally, Capitec has streamlined its IT supplier base to enhance system stability and consistency. The company follows a strict internal cyber security approach, emphasising a "zero trust" philosophy – where employees are encouraged to trust no one and no system by default. We are satisfied that Capitec is actively managing cyber security risks and monitoring them continuously.

A company's core business operations can sometimes pose potential risks to consumers. A notable example is the gambling industry, where inadequate regulation and oversight can lead to consumer harm. We engaged with **Evolution Gaming Group** to assess its exposure to unregulated gambling markets. The absence of regulatory oversight in certain markets increases the risks of unethical practices, weak consumer protection, and inadequate anti-money laundering controls. Evolution Gaming explained that while they supply games to operators in regulated markets, some of those operators may serve end-customers in unregulated regions. This means that Evolution Gaming has indirect exposure to unregulated gambling activity. Despite this distinction, we remain concerned that even indirect exposure creates unintended regulatory risks and view this as a key downside factor in the company's investment case. As a result, we chose not to invest in this company.

As part of a separate thematic engagement project, we also engaged with two gambling operators to assess the risks associated with **problem gambling** and to understand the safeguards they have in place to protect vulnerable customers from financial harm (refer to page 43).

Beyond consumer protection, we believe that financial inclusion plays a critical role in promoting sustainable economic growth while expanding market opportunities for financial services companies. In 2024, we engaged with **Equifax**, a leading credit reporting agency, regarding a proposal by the Federal Housing Finance Agency (FHFA) to reduce the number of credit reports required for mortgage qualification from three to two.

Equifax emphasised that there are meaningful differences between the major credit bureaus, especially for clients with limited credit histories ("thin-file" clients). The proposed reduction in credit reports could unintentionally reduce access to credit for low-income and minority groups, as fewer credit reports may lead to inadequate risk assessments. While the cost savings from eliminating one credit report would be minimal relative to the total mortgage closure costs, the impact on lending decisions could be significant. This could result in higher interest rates or restricted access to credit for affected borrowers, further exacerbating financial inequality.

At present, the FHFA has relaxed its original implementation timeline, making near-term changes less likely. However, we will continue to monitor developments and incorporate them into our broader assessment of Equifax's long-term investment case.

Community relations and social impact

Companies exist within a broader ecosystem where local communities can be meaningful stakeholders. Depending on the nature of a company's operations, its relationship with surrounding communities can have material financial and reputational consequences. Effective community engagement is, therefore, crucial to ensuring long-term business sustainability.

In 2024, we attended an investor site visit to the Kamoa-Kakule mine, co-owned by **Ivanhoe Mines**, in Kolwezi, DRC. We visited several community-focused initiatives, including co-operatives, an on-site hospital, a training campus, and sports facilities set up by Kamoa Copper. The management team presented an overview of the company's social, environmental and community initiatives.

Following the visit, we engaged with management to discuss community relations in more detail, particularly regarding community resettlements at the Kamoa-Kakule mine. During this period, we noted media reports raising concerns about the resettlement process. After a thorough discussion with the company, we were satisfied that it had adhered to IFC guidelines and undertaken the resettlements in line with recognised best practices. However, community engagement remains a key topic in our discussions with management, and we will continue to monitor further developments.

We also engaged with **Eco (Atlantic) Oil & Gas** regarding community relations. In October 2024, Greenpeace lodged an appeal against Eco Atlantic's planned oil exploration on Block 3B/4B in South Africa (which is the area in the Orange River basin where the company has exploration rights). We discussed the basis of the appeal with the company's CEO, who emphasised that they had previously received a licence for a different block and were therefore familiar with the environmental requirements and regulatory processes. Eco Atlantic has placed a strong emphasis on community engagement to ensure proper consultation with affected communities. We will continue to monitor this situation and assess how the company manages its stakeholder relationships.

Other areas

In South Africa, historical inequalities have driven many companies to implement Broad-Based Black Economic Empowerment (B-BBEE) deals, aimed at fostering meaningful economic transformation for the benefit of the broader economy. When investee companies propose new B-BBEE schemes, we engage to ensure that the deals are well structured, broad-based and not excessively dilutive to existing shareholders.

Community engagement remains a key topic in our discussions with management.

In 2024, we engaged with **Altron** regarding the rationale and structure of its new proposed B-BBEE scheme. While we acknowledged the strategic need for the new deal and found its structure well-considered, we sought clarity on its financial impact on shareholders, particularly in terms of dilution. The company explained that with the current B-BBEE scheme set to mature at the end of July 2024, a new scheme was needed to meet the group's ongoing requirements to operate properly in its space. They provided detail on the qualifying beneficiaries and how both Altron as well as the industry would gain from the trust being set up. A key positive aspect is that the scheme is evergreen in nature, which ensures long-term sustainable empowerment. Following our engagement, we were satisfied with the company's responses and found the proposed scheme to be appropriate. Consequently, no further action was required.

Case study

Safety at South African mining companies

COMPANY

IMPLATS, SASOL, SOUTH32, SIBANYE-STILLWATER AND HARMONY

REGION

SOUTH AFRICA

ACTION

EMAILS AND MEETING

OUTCOME

ONGOING

Mining is a labour-intensive industry, and according to the South African Government Quarterly Employment Statistics, employs approximately 4% of South Africa's employed population. Given its significant employment footprint and the inherently high-risk nature of mining operations, ensuring the health and safety of workers is a fundamental responsibility for mining companies and key aspect of responsible corporate citizenship. While mine worker fatalities have drastically declined in South Africa over the past two decades (see Figure 35), further progress is still required to achieve the industry's ultimate goal of zero harm.

Action and outcome

Given the prominence of mining companies in the South African listed universe and the importance of worker safety, we have been tracking and analysing safety statistics for several years. We actively engage with the companies under our coverage to gain insight into their safety challenges and the measures being implemented to achieve zero harm.

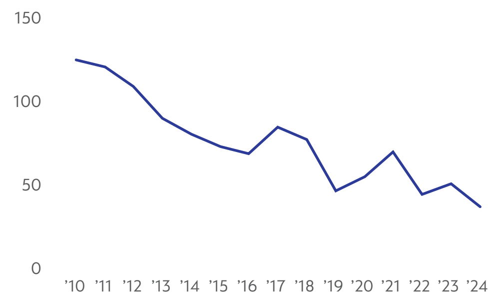
Our first thematic project on mining safety, conducted in 2022, involved extensive research and discussions with several South African mining companies to identify the key drivers of safety outcomes. This work has enhanced our ability to assess company performance, engage with management teams, and engage constructively on safety practices. Our analysis found no strong correlation between any single incentive structure and improved safety outcomes. Instead, it highlighted the importance of tracking leading indicators, improvements in technology and fostering a strong safety culture at the operational level.

Drawing from our safety database, we identified five companies in 2024 that stood out for either having higher fatalities and/or injury rates than peers or showing an upward trend. These companies are Implats, Sasol, South32, Sibanye-Stillwater and Harmony Gold. We then reached out to these companies to understand both the underlying causes, as well as the planned future action moving forward. At the time of writing, three companies have responded.

Implats: The company reported the highest number of fatalities in the latest reporting period, primarily due to a single tragic event. We reached out to understand the causes and how they are addressing this. They indicated that they are still conducting a detailed investigation and are not yet in a position to share further details. However, they assured us that the information will be made available once the investigation is finalised. We will continue to engage with the company once the investigation is complete, allowing for a more informed and detailed discussion.

Sasol: We raised concerns about Sasol's safety statistics and the trends in safety performance. In our discussions, the company explained that its own analysis of recent safety incidents found no evidence of inadequate controls or process safety failures (i.e. gas releases or lack of maintenance). Instead, they attributed the incidents to individual employee behaviour, suggesting

FIGURE 35: SA MINING FATALITIES

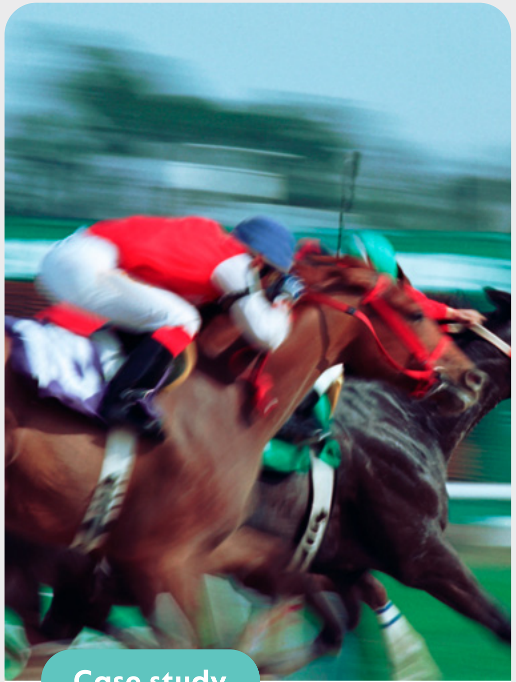


Source: Minerals Council South Africa

an organisational cultural challenge rather than a lack of adequate safety protocols. To address this, Sasol has identified a few areas of focus, including increasing leadership presence at mining operations, encouraging employees to adhere to safety protocols and voice concerns, as well as promoting the philosophy that every employee is not just personally accountable but also responsible for the safety of their colleagues.

South32: South32 reported higher injury rates than its peers and increasing fatalities and injury rates over the past five years. We engaged with them to understand the underlying causes and interventions they have implemented to rectify this going forward. They explained that they use a range of leading and lagging indicators. From our mining work in 2022, this is regarded as one of the best-practice measures to track and rectify negative safety outcomes. They monitor the precursors to serious incidents in order to be more proactive and predictive in their approach to eliminating fatalities and serious injuries. They also provided details of a new safety programme that they introduced in FY22, which they are still busy rolling out over several years. Tailored for different employee groups, we believe this programme can demonstrate what it means to be a safety leader at the company.

Mining safety continues to be an ongoing area of focus for us. We will continue to monitor safety incidents and track safety records. Where we identify any company-specific issues or any worrying trends, we will engage accordingly.



Case study

Addressing problem gambling in developed markets

COMPANY	REGION
FLUTTER AND ENTAIN	DEVELOPED MARKETS
ACTION	**OUTCOME**
MEETING AND LETTERS	ONGOING

Gambling is one of humanity's oldest pastimes, with evidence that games of chance were played in ancient civilisations from Mesopotamia to China. For the majority of people, gambling is a casual form of entertainment. However, a small minority of individuals are susceptible to problem gambling. The American Psychiatric Association classifies gambling addiction as a mental illness, estimated to affect between 2-4% of the population. Those afflicted experience a persistent preoccupation with gambling, often risking significant financial resources and damaging personal relationships, and struggle to limit or cease gambling activities.

We identified the risks inherent in exposure to problem gamblers as a key consideration in evaluating the investment merits of gambling operators in our Global Developed Market strategies. Typically, in most markets a relatively small number of customers generate a disproportionately large share of gaming revenue. Making sure this revenue is not from problem gamblers is not only an ethical imperative, but also important to ensure the stability of the earnings base.

Understanding the regulatory landscape

We began our research by evaluating the regulatory environment in the key markets within which our investee companies operate, including the UK, US, Australia and various individual markets in Europe. The regulatory frameworks varied in detail, with different degrees of emphasis placed on safer gambling initiatives and different combinations of tools employed.

In a number of jurisdictions, tightening of regulations has had a disruptive impact on the market, and continues to do so.

A few markets explicitly try to limit the maximum amount of money a customer can lose in a given period. In the UK, for instance, the regulator has imposed limits on the amount customers are allowed to deposit with online bookmakers, along with stringent, and often intrusive, affordability checks. However, implementation and enforcement have been uneven. We are encouraged that in May 2024, the industry adopted a uniform Code on Customer Checks, with the endorsement of the government and the regulator, that standardises the implementation of affordability checks across the industry (for amounts above £25 000 per year). Similarly, the Netherlands has recently introduced limits of €700 per month (any amount above that requires a full affordability check).

Some markets have or are in the process of introducing limits on the maximum bet size for slots. For instance, in the UK, the maximum stake will be limited to £5 per spin and £2 for customers under 25.

Restrictions on advertising is another commonly used tool. In Italy, a comprehensive ban on gambling advertising has been in place since 2019. Markets such as Australia and the Netherlands have strict rules in place, such as bans on betting ads during live sports broadcasts.

One market that stands out today is the US. Still at an early stage of regulation, we see little evidence of the adoption of safer gambling regulations, particularly with relation to online gaming and sports betting.

Companies are already implementing safeguards

After evaluating the regulatory frameworks, we assessed the policies implemented by Flutter and Entain, our two largest gambling companies in global developed market strategies. Our research revealed that the companies are already putting in place proactive measures to mitigate the risk of problem gambling. These measures include tools to monitor player activity, educational programmes and the ability for customers to self-exclude. Highlighting the importance of the issue, both Flutter and Entain have board-level oversight of safer gambling initiatives, with dedicated sub-committees responsible for its implementation.

Entain's commitment to regulatory compliance is a key part of their broader strategy, introduced at the end of 2020 when a new management team took over and rebranded the company from GVC Holdings. Incidents of non-compliance under the previous name and management led to fines and other penalties in several jurisdictions in recent years. The new management team has since strengthened its focus on regulatory compliance, including player safety and protection. Technology is an important enabler. For instance, Flutter's Sportsbet subsidiary in Australia uses machine learning to identify and intervene with customers making deposits outside of their usual ranges. Similarly, Entain has deployed an AI-based tool dubbed ARC (Advanced Responsibility and Care) across 22 markets that includes predictive modelling and real-time interventions.

Our investee companies have also directly linked safer gambling targets to executive compensation. Flutter has disclosed targets for the share of its customer base using at least one of its responsible gambling tools, collectively branded as its Play Well initiative. Entain has not disclosed exact targets, but safer betting metrics account for 10% of bonus payments for all office-based staff, and all bonus payments are contingent on the completion of mandatory safer gambling training.

Continuing our engagement with the companies

We view safer gambling as an ongoing imperative for our investee companies and will continue to engage with them on this topic. To date, our interaction has focused largely on gathering information through numerous emails, video calls and face-to-face meetings, including with investor relations teams and executive management. In these interactions we asked questions to understand the companies' initiatives in more granularity, understand the existing processes and technological capabilities, as well as how their initiatives stack up to regulatory limits and the broader market. We also continue to engage on broader regulatory compliance issues.

These interactions have revealed a deep acknowledgement of the business imperative to promote and facilitate safer gambling practices. In our view, Flutter and Entain are leading the industry in the implementation of these initiatives. In particular, given Entain's past record, we are of the view that current management have now erred on the side of caution in addressing historical weaknesses, and we are comfortable these issues have been adequately addressed. However, our interactions have highlighted areas where risks remain, and we will encourage the companies to continue to address these risks. These include:

- **One-size-fits-all regulation**
  We acknowledge that regulators have a difficult job. Having consistent rules, evenly applied, for all operators is certainly fair, and reduces the risk of adverse selection for operators. However, this lacks nuance – for instance, a deposit limit that could be trivial to the average customer may well be ruinous for some. We would encourage our investee companies to continue to strive for zero harm, irrespective of the regulatory limits.
- **Regulations in the US lags**
  The US is the largest and fastest growing online gambling market, and both Flutter and Entain have meaningful operations there. Partly due to the nascency of the industry, and partly the result of a state-by-state regulatory regime, safer gambling regulations lag that of more mature markets like the UK. While we note both Entain and Flutter are being proactive in leading the industry on safer gambling measures, we believe both companies should continue to invest in rolling out their safer gambling capabilities to this market.
- **Reliance on self-identification**
  Although the companies have deployed technology to aid in identifying potential at-risk customers, much of the safer gambling interventions still rely on self-identification (e.g., self-imposed voluntary limits). We are actively engaging with both Flutter and Entain to better understand the roadmap of initiatives to increase pre-emptive intervention.

Overall, we are satisfied that our investee companies are carefully considering this issue and have processes in place to manage the risk appropriately. Given the sensitivity of the issue, posing not only financial risks to the companies but also societal externalities, we will continue engaging with the companies to monitor progress and suggest areas of focus where necessary. +

Driving stronger governance

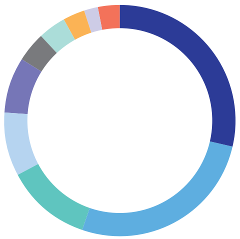
It is essential to ensure that our investee companies have robust governance structures in place to protect the interests of all stakeholders and support sustainable long-term value creation. Given the fundamental role of governance, we actively engaged on this topic throughout 2024. Engagements focused on governance matters accounted for 72% of all ESG issues engaged on during the year.

Remuneration

How a company incentivises its leadership is fundamental to aligning strategy with long-term value creation. A well-balanced remuneration policy should align with shareholders' interests through ambitious targets, appropriate key performance indicators (KPIs) and sufficient disclosure to allow stakeholders to assess the appropriateness of the policy and its implementation. Given the significance of executive remuneration across nearly all companies in our investment universe, it remained a major focus of our engagements in 2024 (Figure 36).

As long-term investors, we advocate for remuneration policies that incentivise long-term thinking. For example, we engaged with **Standard Bank** to request that its long-term incentive (LTI) plan incorporate a deferred delivery period after vesting at the end of year three, extending over years three to five. This proposal was well received, and the company indicated that it would be considered for the FY24 LTI awards.

FIGURE 36: ENGAGEMENT THEME – GOVERNANCE



- 29% Capital structure
- 27% Remuneration
- 12% Board structure
- 9% Sustainability reporting
- 8% Audit and reporting
- 4% Succession planning
- 4% Shareholder rights
- 3% Conflicts of interest
- 2% Executive leadership issues
- 3% Other governance

The KPIs within remuneration policies must be structured to drive the right behaviour. When we identify inappropriate or absent KPIs, we engage with companies to recommend improvements. In 2024, we engaged with the Chinese sportswear and sports equipment company **Li Ning** on their remuneration policy KPIs, recommending several changes:

- Shifting the target from absolute profit to diluted earnings per share, ensuring better alignment with long-term shareholder value.
- Introducing a measure of free cash flow conversion, or ideally setting free cash flow per share as a target.
- Introducing a balance sheet efficiency metric to encourage management to always consider enhancing the value of the business by increasing the return on equity (ROE) and return on invested capital (ROIC). This would ensure that capital should only be deployed when the prospective return (ROIC) exceeds the cost of capital.

While Li Ning acknowledged our recommendations, the policy remained unchanged. However, they subsequently indicated that specific targets would be set when incentives are granted, with announcements to follow at that time.

We also engaged with **Naspers** and **Prosus** as we believed its latest remuneration policy included targets that fail to adequately align management incentives with shareholder interests. Our primary concern was the absence of per-share performance references for the "moonshot" LTI, which has been offered to the CEO. One of the requirements for this award relates to doubling the group's aggregate market capitalisation over a four-year period.

We have urged the company to prioritise intrinsic value per share as the key performance metric, rather than market capitalisation, to reinforce its commitment to responsible stewardship of shareholder capital. We voted against their remuneration policy and will continue to engage on this issue.

We also believe a holistic assessment of remuneration is key. Too much focus on a single metric can result in undesired outcomes. For example, in our engagement with **OUTsurance**, we questioned whether the company's claims-related metrics (which strips out excess losses from natural perils) adequately considered risk management. The management team responded that the headline earnings per share target inherently discourages excessive risk taking. We deem this to be fair and a reminder of how important holistic metrics are.

The KPIs within remuneration policies must be structured to drive the right behaviour.

Ensuring sufficiently ambitious KPI target levels is another critical aspect of our engagement. We communicated to **Life Healthcare** that we did not support the remuneration implementation report due to insufficient disclosure of margin and headline earnings per share targets. These metrics are critical determinants of both short-term and long-term incentive compensation. Without adequate transparency, we could not assess whether the targets were appropriately challenging and as a result we voted against the 2024 remuneration implementation report resolution.

We take a holistic view of executive remuneration, ensuring that management pay aligns with shareholder outcomes over time. Where misalignment is evident, we first engage with the company to address the issue and will exercise our voting rights when necessary. In 2024, we engaged with **Motus** on concerns that management remuneration did not adequately reflect the earnings experience of shareholders. Following the engagement, we ultimately voted against both the remuneration policy and its implementation.

We advocate for the inclusion of malus and clawback mechanisms in remuneration structures and have engaged on this issue for several years. Malus and clawback provides the shareholders with a higher degree of protection as there is an extra layer of recourse in the event of executive fraud. In 2024, we informed **Accor** that we could not support certain remuneration resolutions, with one of the key reasons being the absence of a malus and clawback policy.

Our policy is to vote against excessive gratuity payments on termination of employment, as we believe companies should prioritise compensating individuals who contribute to future performance. At **Nampak**, we viewed the severance payment to the former CEO as excessive. We conveyed our concerns to the company, highlighting that it conflicted with our proxy voting principles, and subsequently voted against the remuneration implementation report.

In South Africa, the Companies Amendment Act, signed into law in 2024 but not yet gazetted, introduced new corporate remuneration disclosure requirements. We engaged with **Exxaro** to assess its readiness to comply with the requirement to disclose vertical wage gaps. Exxaro indicated that a working group was focused on wage gap disclosures, covering both vertical wage gaps and additional disclosures such as gender wage gaps, and that they would be ready to disclose when the legislation is gazetted.

While non-executive remuneration is a smaller component of our engagements, we engage when necessary. **AVI** proposed a new non-executive director remuneration structure that included a variable component linked to performance and experience. The shareholder vote provided two options: endorse the new variable remuneration policy or retain the existing fixed structure. We preferred the fixed structure to preserve non-executive directors' independence and objectivity. We communicated this preference to AVI's CEO and later confirmed with the CFO that most shareholders were in favour of the fixed structure. Ultimately, the fixed structure was retained, and the performance-based remuneration resolutions were withdrawn at the annual general meeting.

Board composition

Robust oversight is essential to ensuring that corporate strategy is effectively guided from the top. This requires a board with the right balance of skills, experience and independence. When evaluating board composition, we assess both individual directors and the board as a whole to ensure an appropriate level of independence, diversity and expertise. When we are required to vote or engage with a company, we assess whether there are any key concerns and address them as part of our engagement process.

During the year, we engaged with **Attacq** regarding a director who had served on the board for over 10 years. We engaged with the company as part of our assessment of her independence. During this process, the company also emphasised that she remains highly engaged, brings valuable legal and technical expertise, and continues to contribute meaningfully to board discussions. Our assessment concluded that the board maintains a strong balance of skills, diversity, experience and independence, and therefore we supported her continued tenure.

In contrast, during our engagement with **Resilient REIT**, we assessed a director who had served on the board for 20 years. While we do not automatically oppose long tenures, in this case, we were of the view that his long tenure had compromised his independence. As a result, we voted against his re-election and communicated our intention to do so in advance to the company.

We advocate for the chairperson of the board to be independent and generally oppose the appointment or re-appointment of individuals who hold both the CEO and chairperson roles. In our engagement with **Li Ning**, we voted against the combined CEO-chair role and communicated our position to the company.

A well-functioning board must possess industry and geographic expertise relevant to the company's operations. With **Standard Bank**, we assessed the board's experience operating across the African continent outside of South Africa, as the Rest of Africa region contributed 44% of the bank's earnings in 2023. We engaged with the company, highlighting the need for stronger representation of this skill set. The company was receptive to this, noting the appointment of a director with this type of experience. However, they also acknowledged challenges in balancing this with broader board diversity requirements. We will continue to monitor their progress in this regard.

We engaged with **Naspers** and **Prosus** about the skills and experience on the current board, as we see a critical need to incorporate greater technological expertise, especially given the transformative impact of artificial intelligence. We believe the current board's skills may not fully align with the rapidly evolving landscape, potentially limiting the company's ability to adapt and innovate at a world-class level. Our recommendations were not taken into account, and as a result we voted against the re-election of directors and committee appointments. We will continue to engage on this matter.

Where we believe directors have failed in their oversight responsibilities or have been involved in misconduct, we exercise our duty as responsible owners by voting against their re-election. During 2024 we voted against several directors of the **Shinhan Financial Group** in South Korea due to material misconduct by senior executives that occurred under their purview, and that led to sanctions and a jail sentence. However, the executives received lighter sentences on appeal and the board allowed them to remain in their roles. We viewed this as a failure of governance and communicated our opposition to the company.

While the board holds ultimate responsibility for oversight of strategy, it may delegate specific responsibilities to other individuals or committees. Where necessary, we advocate for the establishment of these structures to enhance governance. In this light, we engaged **Nubank** to recommend the establishment of a formal nomination committee to strengthen board oversight. The company responded that it would raise the matter with the board and legal team.

Capital structure and capital allocation

A company's approach to capital allocation has a direct impact on both its current financial position and its future cash flows. Understanding how capital allocation and capital structure evolve over time is critical to determining a company's intrinsic value. Where we believe changes are necessary, we advocate for strategies that enhance long-term value creation for our clients.

Depending on the specific circumstances of each company, we may prefer companies to reinvest in the business or return capital to shareholders, via dividends or share buybacks. During the year we met with the management of **Altron**, a provider of industrial and electronics products and solutions to industrial customers across the Americas, to express our view that their dividend policy is overly conservative. Given the company's history of converting over 100% of accounting earnings into free cash, we believed that it could afford a higher payout. Management acknowledged that the current 50% payout ratio was low but emphasised that they had just gotten back into a net cash position and that a war chest would be useful for potential acquisitions. Encouragingly, they stated that if no material developments arise over the next fiscal year, the payout ratio will be revisited.

A well-functioning board must possess industry and geographic expertise relevant to the company's operations.

A number of our engagements related to **share buybacks** at our investee companies, which we discuss on page 57.

Strategic issues

As shareholders, we appoint directors to ensure that appropriate structures are in place, and they, in turn, appoint management teams to drive long-term value creation. While we do not set corporate strategy, we undertake significant information gathering engagements to deepen our understanding of the business and its broader context. Additionally, when we identify major strategic issues or opportunities we engage directly with management or the board to communicate our views.

For example, **Spar** has faced several operational issues, prompting us to meet with the CEO to understand the key turnaround initiatives. Through a series of probing discussions, management provided insights into the improvements made. This has helped to inform our overall understanding of the business case. In February 2025, we participated in a broader investor engagement to assess the company's strategic progress. Pleasingly, meaningful improvements have been made to restore the wholesaler's relationship with its franchisees, particularly in the KZN region, which was most impacted when operational discipline weakened. While challenges remain, we are encouraged that the business is moving in the right direction.

The 2024 national elections in South Africa resulted in changes to ministerial cabinet positions. For highly regulated industries, like **Vodacom**, these changes can have a material impact on the regulatory environment. Following the elections, we reached out to Vodacom to gauge their view on the regulatory outlook for the company and the sector overall. The company expressed optimism about the incoming minister, viewing the appointment as positive for the industry. However, they raised concerns about pending legislation and how it would be handled by the new leadership. The industry will continue to monitor these developments and engage appropriately with the incoming administration.

Changes in legislation can impact the operations or financial circumstances of the businesses in which we invest in affected jurisdictions and/or industries. In 2024, the French government introduced a new tax targeting "long lived transport infrastructure", imposing a 4.6% levy on concession revenues exceeding €120m. This directly impacted toll road concessions operated by both **Eiffage** and **Vinci**. Under their concession agreements, these companies are legally protected against taxes that specifically target them and may have legal recourse.

We participated in several investor calls where this was discussed to understand each company's position and potential outcomes. The companies first challenged the law's constitutionality but received an adverse ruling. They are now pursuing a contractual compensation claim, a process that could take several months or even years. While the companies remain confident in their case, we have taken a prudent approach by incorporating the full financial impact of the new tax and additional corporate tax imposed by the French state into our valuations.

Disclosure

The EU's Corporate Sustainability Reporting Directive (CSRD) requires companies to perform

a double materiality assessment, identifying key issues of concern for stakeholders. We had a call with **Pepco** to discuss the issues that we viewed as most material to the business based on our understanding of the company and the industry. We also completed a pre-call survey, which will likely contribute to a broader stakeholder feedback process, ultimately filtering through to their sustainability reporting and focus areas for the year.

We also engaged with **Dis-Chem** to advocate for improved transparency in related party disclosures. We advised the company to provide full disclosure of all related party transactions and any relationships that could result in future transactions. Improved disclosure in this area helps investors understand what the potential for future related party transactions will be. The company agreed to implement these recommendations.

Ethics and compliance

At the end of 2024, we met with **FirstRand** to discuss an ongoing legal process involving its UK business, MotoNovo. The case concerns how the company discloses fees paid to motor dealers in relation to vehicle finance. MotoNovo has filed an appeal against the Appeal Court's ruling against its London branch, with a Supreme Court hearing scheduled for April 2025. In anticipation of potential penalties, they have taken a provision of R3bn. However, given the high degree of uncertainty surrounding the outcome, we have not made additional adjustments to our valuation of the company at this stage.

We also engaged with Kazakhstan's fintech giant **Kaspi** following a short-seller report alleging potential breaches of sanction regulations against Russia, which could put the company at risk of being sanctioned. We engaged with Kaspi to understand the validity of these claims and understand their compliance procedures. Kaspi highlighted the following key points:

- Kaspi has published a rebuttal addressing factual errors in the short-seller report.
- The Central Bank of Kazakhstan has publicly confirmed that Kaspi complies with sanctions regulations.
- Other major global companies, like Visa, have assessed Kaspi's compliance and have not found any contraventions of sanctions regulations.
- There are currently no investigations against Kaspi related to the allegations.
- The company underwent a full SEC review ahead of its IPO in January 2024.
- 95% of transactions are between its consumers and merchants, which provides Kaspi with end-to-end visibility on the movement of money and the ability to ensure that transactions adhere to regulatory requirements.

While there is no evidence for the short-seller's claims and no investigations against the company, we will continue to monitor the situation for any new developments and engage as relevant. We have incorporated the risks into our position sizing of Kaspi in our portfolios.

Case study

Protecting minority shareholders' rights

COMPANY	REGION
CIRA EDUCATION	EGYPT
ACTION	**OUTCOME**
MEETING AND LETTERS	POSITIVE

CIRA Education is the largest private education company in Egypt. The group currently operates 27 schools and will open its third university in 2025. In a country facing a significant shortage of schools and universities due to rapid population growth[11] and underfunding of the public education sector, CIRA is well-positioned as a mid-market education provider targeting Egypt's expanding middle class.

Egypt's public schools are severely overcrowded, with classroom sizes averaging 43 to 55 students[12]. Tertiary institutions also struggle to keep up with demand, with only 36% of learners who complete school enrolled at tertiary institutions[13].

This presents a very compelling growth opportunity for CIRA. Beyond its strong growth trajectory and promising financial outlook of the business, CIRA plays a vital role in expanding access to high quality, affordable education in Egypt. The company continues to invest significantly in the sector, adding two to three schools annually, and plans are already underway to build a fourth university to address the country's urgent education needs.

During the year, we engaged with the company, the Egyptian Financial Regulatory Authority (FRA), and other minority shareholders to express our concerns about the potential impact of a proposed delisting on minority shareholders.

Issue

In May 2024, CIRA announced that its largest shareholder, Saudi Egyptian Investment Co. (SIC), which owns just over half of the company, made an offer to buy out minority shareholders. Their

[11] *In 2023, Egypt's population growth rate was 1.7% compared with the world average of 0.9%, according to data from the World Bank Group*
[12] *Egypt: Declining Funding Undermines Education | Human Rights Watch*
[13] *Egypt's Education Sector Expands Steadily Over Ten Years | Egyptian Streets*

intention was to delist CIRA if SIC ownership levels reached 75%. We believed that the offer of EGP14 per share significantly undervalued the business. Moreover, given its majority stake, SIC only required the support of a relatively small portion of minority shareholders to force a delisting – an outcome that we did not believe was in the best interests of minority shareholders. Our stance was that SIC should be recused from voting on a delisting decision to ensure fairness and transparency.

Action

Shortly after the announcement, we expressed our concerns in a call with the CEO and requested an independent valuation to assess the appropriateness of the offer to minorities. Management agreed to conduct this valuation.

However, before the outcome of the valuation was released, SIC announced in November 2024 that it would increase its offer to EGP15 per share. While an improved level, we still believed that this offer significantly undervalued the business. In response, we wrote a letter to the board to communicate this view and to object to the proposed delisting. We also emphasised that institutional investor mandates usually prohibit investments in unlisted instruments. Our concern was that a delisting of CIRA would force out shareholders at an unfair valuation, thus prejudicing minority shareholders. We asked the company to remain listed and requested that SIC be recused from voting if a delisting is ever proposed.

We also escalated these concerns in an email to the FRA, highlighting that recusing SIC from voting on a potential delisting would be in line with global best practice. Given SIC's controlling stake and direct interest in the outcome, allowing it to vote would present a clear conflict of interest. Additionally, we engaged with other shareholders, many of whom shared our concerns and independently raised them with the company and the regulator.

Outcome

In January 2025, CIRA announced that the independent valuation had been completed, determining the fair value at EGP17.95 per share. CIRA also announced that the plans to delist the company would be postponed for at least two years. We viewed this as a positive outcome for minority shareholders. It also allowed our client portfolios to continue to own a stake in a high-quality business with an attractive growth profile that is making a real difference in the communities in which it operates. We will continue to monitor the situation and engage to ensure that SIC's participation in the voting process is appropriately addressed if the delisting is proposed again.

Case study

Evaluating BHP's bid for Anglo American

COMPANY	REGION
BHP GROUP LIMITED AND ANGLO AMERICAN	SOUTH AFRICA AND GLOBAL
ACTION	**OUTCOME**
MEETINGS	NEGATIVE

In the first half of 2024, following BHP's takeover bid for Anglo American, we engaged extensively with both companies to advocate for the best possible outcome for shareholders.

Anglo American is a diversified mining company with operations across a number of commodities and geographies. Its key products include metallurgical coal, platinum group metals, iron ore, diamonds, and copper. BHP, an Australian multinational mining and metals company, focuses on iron ore and metallurgical coal for steelmaking, copper, and potash.

Issue

In April 2024, BHP made a takeover offer for Anglo American, valuing the business at £31.1bn. Under the proposal, Anglo American shareholders would receive 0.71 BHP shares for each Anglo share owned. A key condition of the deal was that Anglo shareholders would need to unbundle both Kumba Iron Ore (KIO) and Anglo American Platinum (Amplats) as part of the transaction. At the time, our view was that the offer price was below the fair value of Anglo American, especially when considering the additional onus and uncertainty placed on Anglo shareholders to unbundle these subsidiaries. The Anglo American board swiftly rejected the proposal.

Action

In the weeks that followed and as the ensuing events unfolded, we engaged several times with investor relations, the executive management team and the board chair of Anglo American, as well as the executive management of BHP.

Our view, which we communicated extensively to both BHP and Anglo, was that the offer price needed to be higher to fairly compensate shareholders for the costs and uncertainties related to the unbundling. On 13 May 2024, BHP revised its offer, increasing the ratio by 14.6% to 0.8132 BHP shares per Anglo share and committing to absorb the costs associated with the two demergers. We considered this a fair offer, representing a 20% premium to our fair value estimate for Anglo. However, it did not fully resolve the uncertainties around the timing of the unbundling and the prices Anglo would receive for KIO and Amplats. The Anglo board once again rejected the proposal.

On 14 May, Anglo announced a new strategy aimed at simplifying the business and unlocking value. The plan included unbundling Amplats, selling its metallurgical coal assets, and realising value from De Beers and its manganese business by either divesting or demerging. Anglo believed this was a superior alternative to BHP's offer. We disagreed, given the extended timelines and the financial and operational uncertainties inherent in the proposed strategy. BHP's offer would have immediately crystallised value for Anglo shareholders rather than having to wait several years for a strategy which we believed was unlikely to unlock value for the business.

On 22 May, BHP further revised its offer to 0.89 BHP shares per Anglo share – a 30% premium to our fair value estimate for Anglo. However, the deal structure remained unchanged. We viewed this as an attractive offer for Anglo shareholders, particularly at the improved price.

In a meeting with the CEO of Anglo, we emphasised that this was a good deal and that the board should allow shareholders to vote on the deal rather than dismissing it outright. In our view, by not putting it to shareholders for a vote the board risked foregoing a good deal that we believed most investors would support.

Outcome

We were disappointed with the outcome of this process as the Anglo American board and management team rejected a deal that we considered to be beneficial. The company now faces an uncertain future as it works to implement its new strategy over the next few years. However, there remains a possibility that BHP or another mining company can approach Anglo again once the company's strategy has progressed further. We will continue to monitor the situation and engage appropriately.

Case study

Engaging to improve liquidity and capital allocation

COMPANY	REGION
DELIVERY HERO	GLOBAL

ACTION	OUTCOME
LETTERS, EMAILS, IN-PERSON MEETINGS, VIDEO CALLS	POSITIVE

Our engagements with Delivery Hero illustrate how we aim to protect value for shareholders through prioritising optimal capital allocation and ensuring effective liquidity management.

Delivery Hero is a leading global food delivery business with operations in over 70 countries, serving a combined population of over two billion people across Asia, Africa, South America and Europe. Gross merchandise value (GMV) of over €47 billion is sold annually via its platform.

Food delivery platforms benefit from strong three-sided network effects, where the three sides – in this case customers, restaurants and drivers – interact in ways that amplify the platform's value. As more customers join the platform, it attracts more restaurants, creating more opportunities for drivers, which improves service delivery and, in turn, attracts more customers. This reinforces the platform's growth. Where three-sided network effects are in play, it typically results in consolidated market structures where a dominant player or duopoly emerges. Over 90% of Delivery Hero's GMV is generated in countries where they are the market leader, whilst at the same time, the food delivery category remains significantly underpenetrated in many of these countries, offering a substantial runway for growth.

Issue

After its public listing in 2017 up until 2021, Delivery Hero experienced a period of rapid growth through multiple acquisitions partly funded by convertible bonds. While the unit economics in more mature regions has proven very attractive, many of Delivery Hero's markets were, and still are, nascent. These markets are characterised by pockets of intense competition, requiring substantial investment.

In November 2021, the US Federal Reserve began signalling interest rate hikes, triggering a sharp sell-off in equity markets. Loss-making, long-duration growth businesses like Delivery Hero were disproportionately affected. As a result, their convertible bonds fell deeply out of the money – making cash settlement at maturity the most likely outcome.

Compounding the issue, growth slowed significantly as pandemic-driven demand unwound and reopening headwinds took hold. All of this led to continued share price pressure amid an ensuing crisis of confidence around Delivery Hero's liquidity, despite the company having significant deleveraging options available. Fears of this nature can often become self-fulfilling for companies, as capital markets become either too dilutive or inaccessible, lenders hesitate to extend facilities, and creditors tighten terms, thereby straining working capital. In such circumstances, companies often find themselves in a weakened negotiating position when selling assets, further impairing their operational competitiveness.

Action

Between 2022 and 2024, we consistently highlighted the need for urgent action to address liquidity challenges while minimising dilution to shareholders. We raised these concerns in numerous calls and email exchanges with company management, including the CEO and CFO. In February 2024, we wrote a letter to the board recommending a series of strategic measures. This included selective asset disposals, cost rationalisation, and other treasury management initiatives. We emphasised the urgency of generating free cash flow to deleverage the balance sheet and restore investor confidence.

Outcome

Following ongoing engagements, the company implemented several measures to course correct during 2024:

- **Listing and sale of stake in Talabat:** The company listed its subsidiary, Talabat, on the Dubai Financial Market and sold 20% of its stake in the company, raising $2 billion.
- **Increased monetisation:** Enhanced revenue generation through higher take rates in Korea, which historically priced well below local peers, as well as other global markets.
- **Cost rationalisation:** Undertook several initiatives to optimise costs, including exiting six loss-making countries, reducing the quick-commerce store footprint by 22%, closing cloud kitchens[14] outside the Middle East, and other organisational restructuring that streamlined operations, resulting in a more sustainable business.
- **Improved treasury management:** Strengthened treasury management by partially refinancing debt, extending maturities, and hedging a portion of the debt into Korean Won to align currency obligations with underlying operational cash flows.

- **Enhanced reporting and disclosure:** Improved reporting and disclosure practices in line with our recommendations, helping investors gain greater clarity on the company's liquidity position.

In addition, the company also reached an agreement during the year to sell its Taiwan operations to Uber for $1bn, though this was later blocked by the local competition authorities – a decision which Uber may still appeal. While similarly unsuccessful, the company also engaged in negotiations in 2023 to sell parts of its operations in Southeast Asia.

While these actions taken by the company were driven by combined pressure from multiple independent investor engagements, we believe our consistent advocacy played a material role in influencing the decisions that led to these initiatives.

We are encouraged by the step change we have seen resulting in improved profitability and enhanced liquidity. Based on both consensus and our own estimates, the company has sufficient headroom to meet all upcoming maturities including off-balance-sheet contingencies, through internally generated cash flows and existing cash reserves. By focusing on optimising their existing asset base and driving regional operations toward self-sustainability, the company managed to avoid significant dilution for existing shareholders.

[14] *A kitchen that is used solely for preparing food for delivery or takeaway*

Case study

Unlocking value through share buybacks

COMPANY	REGION
AFRICA OIL, STONE COMPANY, ANTA SPORTS AND NASPERS	**SOUTH AFRICA AND OTHER EMERGING MARKETS**

ACTION	OUTCOME
CALLS, EMAILS, LETTERS AND IN-PERSON MEETINGS	**POSITIVE AND ONGOING**

Issue

During the year we engaged with several companies on one of the most effective capital allocation mechanisms for generating investor returns – share buybacks. When a company repurchases its own shares at a discount to intrinsic value, it effectively invests in a business it understands better than any external capital allocation opportunity, immediately resulting in permanent value accretion to remaining shareholders.

Share buybacks provide an effective mechanism for companies generating surplus cash but lacking compelling investment opportunities to return surplus capital to shareholders. We prefer this over management teams feeling pressured to pursue new growth opportunities that may lead to value-destroying investments.

We actively advocate for share buybacks where we believe they are the best capital allocation decision, ensuring that excess capital is deployed in a manner that maximises long-term shareholder value.

Action

In 2024, we had 13 interactions with nine companies encouraging them to pursue share buybacks.

Four examples are highlighted below:

Africa Oil, a Canadian oil and gas company, holds significant interests in Nigeria's oil-producing fields as well as the Venus oil field in Namibia. The company trades at a substantial discount to its net asset value (NAV). In our view, backed by an independent report on the company's reserves, its Nigerian asset alone exceeds its current market capitalisation. In addition, the company holds the Namibian asset and has substantial cash reserves. We believed that buying back shares at these valuations would increase the NAV per share and add significant value.

Following our initial engagements with company management and the board in 2023, where we highlighted the attractiveness of this option, we reiterated our views through three more engagements in 2024: In July 2024, we met with the Chief Commercial Officer and in October 2024, we met separately with the CEO and CFO.

Despite a prior buyback programme, the company stopped buybacks after announcing a share-swap transaction to acquire more of the Nigerian asset. As the transaction did not require a cash outlay, we expressed to management our belief that the buyback programme should continue. In November 2024, Africa Oil resumed repurchases and renewed the buyback programme in December for another year.

ANTA Sports Products is a Chinese sportswear company which owns the ANTA brand and the rights to the FILA, Descente and Kolon brands in China. ANTA also holds a ~43% stake in Amer Sports, which includes brands such as Arc'teryx, Salomon and Wilson, and makes up ~23% of ANTA's market capitalisation at current market prices.

Trading at approximately 15 times forward earnings, with 8% of its market capitalisation in excess net cash, we believed its share price was significantly undervalued. In February 2024, we contacted investor relations to express our view that the share price was trading at a significant discount to intrinsic value, and to encourage ANTA to pursue share repurchases with its excess net cash. We followed up with three emails, providing research and examples illustrating the accretive benefits of repurchases when executed below intrinsic value. Investor relations relayed our input to the CEO and chairman of the board for consideration.

In August 2024, ANTA announced that the board had decided to utilise up to HKD10bn (~5% of the market capitalisation at the time) to repurchase stock on the open market over a period of 18 months. The company stated that the board considered the current share price to be below its actual value and that implementing the share repurchase plan would enhance shareholder value.

To date, ANTA has repurchased ~0.9% of its shares in issue and continues to execute its buyback programme.

Our engagements with technology investment firms **Naspers** and **Prosus** on share buybacks has spanned multiple years. Naspers, the largest company on the Johannesburg Stock Exchange (JSE), is a global internet, technology and multimedia holding company. As an early investor in the Chinese technology and media giant Tencent, Naspers benefitted significantly from Tencent's growth over the past decade, contributing meaningfully to the performance of our portfolios. In 2019, Naspers listed its international assets on Euronext Amsterdam as a separate entity, Prosus, which also has a secondary listing on the JSE, with both companies sharing a single board of directors. However, Naspers and Prosus have been trading at a significant discount to the value of their underlying assets for several years.

Through extensive engagement, we advocated for a share buyback programme funded by Tencent share sales, and in June 2022, an open-ended buyback was announced, aligning closely with our recommendations. Given the size of the discount, we believed this approach would unlock significant shareholder value. As long as Prosus continued to trade below the value of its Tencent stake, each repurchase would result in permanent NAV accretion on a per share basis.

Despite the progress made, the discount remains, and in November 2024, we wrote to the chairman of the board, reiterating the importance of allowing the buyback programme to run its full course. We emphasised that the company's priority should be increasing intrinsic value per share, rather than focusing on market capitalisation growth. We received a response from the chairman, acknowledging our views. The company has also made various public commitments to the buyback. The discount at which Naspers and Prosus trade continues to offer a compelling, low-risk opportunity to enhance shareholder returns.

As of November 2024, the buyback has created $36bn in value, achieving a 10% NAV accretion per share for Prosus and 12% for Naspers.

Finally, we engaged **Stone Co** to highlight the accretive benefits of a share buyback at current valuation levels. Stone is a Brazilian payments acquirer, serving primarily the small and micro enterprise market. Its offering includes acquiring, software, banking and credit solutions.

Our engagement began in February 2024 when we met with Stone's IR to discuss their broader capital allocation strategy. In two subsequent engagements, we highlighted the potential value creation of a buyback programme. Shortly after our third discussion, Stone confirmed that the board had approved a BRL1bn buyback, which was swiftly executed.

Following two more meetings with the CFO, treasury officer and IR, Stone announced a second buyback plan in November, double the size of the first, at BRL2bn.

Stone's share price has declined 89% from its highs in February 2021. At the time of the first buyback authorisation, Stone was trading

on a forward P/E of 8x, with strong earnings growth prospects. We believed there to be 130% upside to our assessment of fair value, making the buyback highly accretive to our clients. By the second authorisation, the share price had fallen further, trading at 6.4x forward earnings – offering even greater value. In total, these two buybacks will have repurchased around 17% to 18% of the shares in issue.

These buybacks are adding immense value, contributing to meaningful growth in earnings per share. While the share price has not recovered, the depressed share price is allowing Stone to purchase greater numbers of shares at prices that aim to enhance long-term value for shareholders.

These buybacks are adding immense value, contributing to meaningful growth in earnings per share.

Share buybacks, when executed at a discount to intrinsic value, provide a compelling mechanism for value creation. We do not view this as a short-term share price management scheme but rather a long-term valuation creation opportunity. We remain committed to engaging with our investee companies to ensure effective capital allocation decisions that drive long-term shareholder value. Our proactive approach has contributed to meaningful NAV accretion and enhanced earnings per share across multiple holdings. We will continue to identify and advocate for opportunities where buybacks can deliver substantial benefits to our investors. +

Stewardship in a changing climate

As responsible stewards of our clients' capital, we recognise the importance of considering all risks, including those related to climate change, in fulfilling our fiduciary duty to maximise risk-adjusted returns for our clients. We also acknowledge the critical role asset managers play in driving companies toward better climate practices and mitigating long-term climate-related risks.

When integrating climate considerations into investment decision-making, it is essential to distinguish between managing economic risks, decarbonising a portfolio, and achieving real-world impact. While we support the principles of the Paris Agreement and the goal of net zero from an economic perspective, we believe that applying these targets solely at the portfolio level presents significant challenges. Our investee companies operate across diverse jurisdictions, some of which face policy constraints, lack national commitments, or have unreliable emissions reporting.

We believe that the engage-to-change approach – where we advocate for climate action and request meaningful responses – drives better real-world and long-term outcomes than disinvestment or defining success through portfolio-level metrics. As investors, we endeavour to hold companies accountable for their climate transition commitments and actions. Climate considerations are integrated into our investment analysis and engagement strategies in order to reduce risks and enhance returns.

Portfolio-level carbon emissions

FIGURE 37

	Weighted average carbon intensity (tCO_2e[15]/\$m sales)		Scope 1 and 2 emissions as % of contribution		Largest contributors to portfolio carbon intensity			Largest contributors to portfolio carbon intensity		
	Portfolio	Benchmark	Scope 1	Scope 2						
SA Houseview Equity	113	195	65%	35%	Northam Platinum Holdings Limited (ZA)	Anglo American PLC (GB)	Rest of portfolio	Portfolio weight: 2%	3%	95%
								Contribution to WACI[16]: 20%	14%	66%
Active Global Equity	52	114	55%	45%	Accor SA (FR)	Canadian National Railway Co. (CA)	Rest of portfolio	Portfolio weight: 3%	1%	96%
								Contribution to WACI[16]: 48%	15%	37%
Global Emerging Markets Equity	50	317	51%	49%	PRIO SA (BR)	Taiwan Semiconductor Manufacturing Co. Ltd (TW)	Rest of portfolio	Portfolio weight: 2%	5%	93%
								Contribution to WACI[16]: 27%	21%	52%

Sources: MSCI, Coronation

[15] *Carbon dioxide equivalent or CO_2e is a metric used to compare the emissions from various greenhouse gases based on their global warming potential*
[16] *Weighted average carbon intensity (WACI) measures a portfolio's exposure to carbon-intensive companies by weighting the company's carbon intensity by its proportion in the portfolio*

This context is essential when interpreting our reported portfolio-level carbon metrics.

Portfolio carbon metrics

At a portfolio level, we monitor both absolute carbon exposure and carbon intensity. The carbon intensity of a portfolio is calculated as the estimated tonnes of carbon emitted per $1 million in revenue based on the weighted average of portfolio holdings. Figure 37 reports the carbon intensity of some of our flagship strategies and shows that our strategies have lower carbon intensity than their respective benchmarks. This indicates greater exposure to carbon-efficient operations compared to an investment in the relevant index tracker.

Identifying material contributors to portfolio carbon intensity

Alongside fundamental company research on climate risks that inform our stewardship priorities, we identify companies with high carbon exposure using carbon footprint and weighted average carbon intensity (WACI) metrics. As Figure 37 illustrates, a small number of high-carbon intensity stocks significantly impact portfolio WACI.

The largest contributor to carbon emissions in our South African Houseview Equity portfolio is Northam Platinum Holdings Limited, followed by Anglo American PLC. The carbon footprints of these mining companies heavily impact overall portfolio emissions.

Northam Platinum explores, mines, and produces platinum group metals (PGMs), which are primarily used in catalytic converters for internal combustion engine (ICE) vehicles, a market that is expected to decline as these engines are phased out. However, the pace of this transition is slower than initially anticipated as governments and vehicle manufacturers worldwide are adjusting EV incentives and production targets. As a result, the ICE and hybrid vehicle market is likely to persist longer than previously expected. Hybrid vehicles – which still rely on PGMs – are currently the fastest-growing EV segment. Additionally, PGMs play a pivotal role in emerging hydrogen and fuel-cell technologies, highlighting transition risks and opportunities.

Anglo American's high carbon intensity illustrates the complexity of the energy transition. While its carbon intensity is high, its production of copper, nickel and PGMs is critical to decarbonisation efforts in transportation and electricity. The company has also invested in technologies aimed at reducing its energy and water consumption.

The most significant contributor to WACI in the Active Global Equity Strategy is Accor SA making up 48% of portfolio WACI, followed by Canadian National Railway Co. at 15%. Accor SA, a global hotel franchisor, places a spotlight on the high carbon intensity of the hospitality sector. Scope 1 emissions include direct and indirect emissions from subsidiary and managed hotels, mainly from on-site fuel use.

More than 70% of Accor's CO_2 emissions are generated at the hotel level, making it a key focus area for the group's sustainability efforts.

Rail transport is significantly more fuel-efficient than the major alternative, trucking, emitting 75% less carbon per ton-mile.

To address this, Accor has committed to cutting scope 1 and 2 emissions by 25% by 2025 and 46% by 2030, with the ultimate goal of achieving carbon neutrality by 2050. Additionally, the company aims to reduce scope 3 emissions by 15% by 2025. To reinforce these commitments, Accor has issued a sustainability-linked bond, with financial penalties if carbon reduction targets are not met.

Canadian National Railway Co. contributes 15% to the WACI in our Active Global Equity Strategy due to the use of diesel-powered locomotives. However, rail transport is significantly more fuel-efficient than the major alternative, trucking, emitting 75% less carbon per ton-mile. While blunt total emissions calculations suggest that rail is negative from an environmental perspective, shifting freight from road to rail plays a crucial role in reducing overall transport-sector emissions. Additionally, Canadian rail operators are actively implementing measures to reduce their carbon footprint, by investing in hybrid locomotives and adopting more fuel-efficient technologies.

The largest contributor to the Global Emerging Equity Market Strategy's carbon intensity is the Brazilian oil and gas company, Prio SA, accounting for 27% of portfolio WACI. Prio's mission is to achieve high operational efficiency and resource optimisation in hydrocarbon production. The company places great emphasis on enhancing operational efficiency and ensuring asset reliability to mitigate gas emissions, minimise gas flaring, and reduce energy consumption across its operations, thereby minimising its environmental footprint.

Taiwan Semiconductor Manufacturing Co. (TSMC), contributing 21% to WACI, faces high emissions due to the energy-intensive nature of semi-conductor manufacturing. Our engagement with TSMC included discussions on SBTi verification, carbon tax impacts, ESG-linked remuneration, and capex guidance for 2030 climate targets. The company is focused on energy efficiency, renewables, climate training, and incorporating carbon pricing into its business strategy.

We engaged with both Prio SA and TSMC as part of our climate project referenced on page 66.

Science-based targets

Science-based targets (SBTs) are emissions reduction targets that companies set to reduce greenhouse gas (GHG) emissions and align their business strategies with the Paris Agreement's goal of limiting global warming to 1.5°C above pre-industrial levels. The SBT initiative's (SBTi) process is viewed as a benchmark for ambitious targets, with tight restrictions and requiring validation by the SBTi. Corporations that publicly disclose an SBTi target and provide annual updates on their progress demonstrate a higher level of climate-mitigation credibility.

Assessing transition plans of companies in our portfolios

While portfolio-level carbon emissions provide retrospective insight into our portfolios' carbon footprint, they do not indicate how investee companies are progressing in their decarbonisation efforts. Evaluating transition plans across different equity portfolios sheds light on companies' commitments to comprehensive reduction strategies. Figure 38 provides a breakdown of portfolio companies based on their adopted emissions reduction targets and alignment with **science-based targets** (SBTs). This serves as a more forward-looking indicator on the climate commitments within our portfolios.

The SA Houseview Equity portfolio has the highest proportion of companies with greenhouse gas (GHG) reduction targets (61%), followed by Global Emerging Market Equity (55%) and Active Global Equity (53%). The SA Houseview Equity portfolio's high exposure to companies with reduction targets is partly explained by the presence of multinational companies listed on the JSE that derive most of their revenue and profits outside South Africa.

FIGURE 38: TRANSITION PLANS OF PORTFOLIO COMPANIES

	SA Houseview Equity	Global Emerging Market Equity	Active Global Equity
Companies in our portfolio with GHG emission reduction targets	61%	55%	53%
Companies with targets across all scopes	41%	34%	39%
Companies with SBTi-approved targets	22%	19%	27%

Sources: MSCI, Coronation

Additionally, publicly listed mining companies, historically subject to greater scrutiny, have emerged as stronger corporate citizens.

Across all portfolios, the percentage of companies with targets covering all scopes (scope 1, 2, and 3) is significantly lower than those with targets for just one or two scopes. The SA Houseview Equity Strategy has the highest coverage at 41%. While many companies set emissions reduction targets, fewer companies address full value chain emissions comprehensively. Achieving scope 3 reductions depends on both upstream and downstream stakeholders, demonstrating the interdependencies of emissions reduction targets and the need for sector-wide collective engagement to drive real reductions.

The percentage of companies with SBTi-approved targets are even lower, ranging from 19% in the Global Emerging Market Equity Strategy to 27% in the Active Global Equity Strategy. This suggests that while many companies commit to reducing emissions, fewer have targets validated by the SBTi, which ensures alignment with global climate goals. The relatively higher percentage of companies with SBTi-approved targets in the Global Developed Equity Strategy, indicates a greater willingness and ability among developed market companies to align targets with scientific recommendations.

While a majority of companies in the portfolio have set GHG reduction targets, fewer have comprehensive or independently verified targets. This highlights the need for stronger commitments, broader scope coverage, and greater adoption of science-based targets. We advocate for transition plans based on science-based targets and for transparent annual disclosure of progress to ensure credibility and impact.

The availability of emissions data varies significantly between developed and emerging markets, as shown in Figure 39. While overall reporting levels still have material room for improvement, it is encouraging to see steady improvements over time.

Lower reporting rates in emerging markets are expected. Limited resources, weaker governance structures, and more immediate development needs can hinder comprehensive reporting practices. Furthermore, the extent of emissions reporting largely hinges on whether it's voluntary or mandatory.

Conclusion

Our portfolio-level carbon analysis provides a high level yet nuanced understanding of the climate-related risks within our investment strategies. It also offers insight into the degree to which portfolio companies have adopted transition plans. The findings underscore the complexity inherent in addressing the underlying challenges and highlights the limitations of a simplistic decarbonisation approach.

We remain committed to engaging with investee companies to drive improved climate-related disclosures, influence transition strategies, and mitigate climate risks – enhancing shareholder value and the long-term sustainability of the businesses in which we invest. Our approach to evaluating insurers' climate mitigation strategies (page 65) demonstrates how we integrate the effects of climate change in investment decisions.

FIGURE 39: % OF COMPANIES THAT REPORT EMISSIONS DATA

	MSCI EM				MSCI DM			
	2024	2023	2022	2021	2024	2023	2022	2021
Scope 1 & 2	77%	62%	53%	41%	86%	86%	78%	74%
Scope 3	42%	33%	27%	20%	75%	75%	66%	63%

Source: MSCI

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Case study index

Navigating sustainability challenges in the insurance sector

Case study

Globally, insurers are facing increasing claims pressure due to climate change and other factors threatening the sustainability of the sector. The fires in California, which started in early January 2025 and are expected to result in substantial losses for insurers, illustrate the industry's struggle to contend with increasingly destructive events. More frequent and severe weather events, rising costs per event, urbanisation, the increasing value of insured goods, and poor town planning all contribute to this challenge.

Higher claims costs are driving up reinsurance rates, which, in turn, are passed on to customers through increased premiums. We expect short-term insurance premiums to continue escalating above inflation over the medium term as a result of these cost pressures.

For us as long-term investors, the sustainability and affordability of the sector are key. We take this into account in two ways: first, by actively engaging with insurers to understand how they are mitigating climate-related risks and cost pressures; and second, by considering their mitigation strategies in our long-term valuations of all the insurance businesses in our investment universe.

Evaluating mitigation strategies

Our research and engagements with the insurance industry focus on understanding how they are managing cost pressures in a sustainable manner. Simply raising premiums is not a viable long-term solution, as it gradually erodes affordability and may lead to consumers reducing their level of cover, sometimes with dire consequences.

Our assessment of insurers' mitigation strategies plays a crucial role in informing our earnings projections and valuations, ultimately influencing our investment decisions. Some of the mitigation strategies that have been implemented by insurers like Santam and OUTsurance over the past couple of years include:

- **Hail:** An early intervention in South Africa was the implementation of SMS alerts for hailstorms. This proactive measure allowed customers to move their vehicles to safer areas, reducing both hail claims and helping lower the overall cost of insuring against such an event for the broader community at risk.
- **Fire:** Insurers identified that inadequate fire services and low water pressure (or lack of water) are key factors that exacerbate fire damage, ultimately raising home insurance costs. However, improved data analytics and risk identification are already improving mitigation efforts. Higher premiums for thatched properties are driving a shift toward alternative roofing materials, while businesses are mitigating the cost of insuring high-risk commercial premises by installing dedicated onsite water supply to ensure sprinkler systems remain operational during a fire.
- **Floods:** The rising intensity of rainfall and frequent flooding have become a major driver of insurance claims in recent years. In response, Santam has been geocoding its property book to identify risk exposure and to price policies accordingly. While this may increase the premiums for higher-risk properties, it is a crucial step toward reducing overall industry costs. Without a granular understanding of the risks, it is difficult to implement mitigating actions or drive better decision making at both the policyholder and industry level.

When considering mitigation strategies and the consequential long-term value of insurers, we are mindful that the insurance industry does not operate in isolation. Government plays a key role in delivering sustainable, long-term solutions through better risk management.

Declining service delivery in many major metropolitans in South Africa, such as the inadequate maintenance of stormwater drains, contributes to rising claims costs. The OUTsurance Pointsmen

Project, where they are managing intersections with broken traffic lights, is yet another example of companies stepping in to reduce overall risk. Addressing these infrastructure issues is essential to reducing risks and halting the rising cost of insurance.

Valuations in the face of climate challenges

As climate-related risks and claims continue to escalate, we expect above-inflation premium growth over the medium term. Accurate risk identification and pricing will be key in containing these increases at an industry level, while tight operational controls will enhance overall affordability for customers. Companies with scientific underwriting and disciplined cost management, such as OUTsurance, are well positioned to provide better value to customers and capture market share.

While the rising frequency and severity of climate-related events will continue to challenge the insurance industry, we believe the market must be allowed to function efficiently. A combination of industry innovation, proactive government intervention and disciplined business strategies can pave the way for sustainable long-term solutions. By engaging with insurers and integrating climate risk considerations into our valuations, we support a resilient insurance sector that continues to provide affordable protection to asset owners despite the evolving risk landscape.

Case study

Climate change project: increasing our impact

COMPANY

LARGE EMITTERS IN SOUTH AFRICA AND OTHER EMERGING MARKETS

REGION

SOUTH AFRICA AND OTHER EMERGING MARKETS

ACTION

VIDEO CALLS, EMAILS AND A LETTER

OUTCOME

ONGOING AND NEGATIVE

Our long-standing commitment to engage with investee companies on their strategies to respond to and mitigate the risks of climate change took a step forward in 2024. This year, we identified 20 focus companies for a deep dive into their climate-related strategies, advocating for targeted improvements to strengthen their response to climate risks.

This initiative builds on a series of thematic projects since 2020, when we embarked on a project to improve climate-related disclosure across our investment universe. We viewed disclosure as the foundation of meaningful engagement, enabling us to assess and compare companies, and identify those that are exposed to higher risk and not managing this risk appropriately. Since then, we have engaged with over 100 companies, starting with South African companies and later including investee companies from other jurisdictions. These thematic projects were in addition to several individual bottom-up engagements on climate-related risks.

Over the years, we have seen significant progress in the number of companies that report on climate-related risks, the quality of disclosure, as well as mandatory corporate climate disclosure developing in several jurisdictions. These advancements reflect the persistent efforts of stakeholders like us and others. With this stronger baseline in place, we have now shifted our focus to engaging with companies on the concrete actions they are taking to reduce their climate-related risks.

Action

In 2024, we moved to the next phase of our thematic engagements on climate, shifting our focus to evaluating companies' climate change strategies. We assessed the climate change strategies of 20 companies across our

South African full coverage universe and in our Global Emerging Market portfolio. For our South Africa investee companies, we selected the 10 largest emitters by scope 1 and 2 emissions.

The evolution of climate disclosure frameworks

The International Sustainability Standards Board (ISSB) Standards (IFRS S1 and IFRS S2) are now considered global best practice and are being adopted by some regulators globally as mandatory disclosure requirements.

These standards are grounded in the Taskforce on Climate-Related Financial Disclosures (TCFD), which was previously regarded as the best practice disclosure guidelines for decision-useful information. With the conclusion of the TCFD's mandate, monitoring and oversight responsibilities have now been transferred to the IFRS Foundation.

Thanks to the TCFD's alignment with the ISSB Standards, companies that disclose in accordance with the TCFD guidelines are well placed to start ISSB reporting should they voluntarily choose to adopt ISSB or should it become mandatory in their relevant jurisdiction.

For the Global Emerging Market portfolio, we selected 10 focus companies based on factors such as size of emissions footprint, portfolio significance, our ability to engage and the scale of the company.

Prior to engaging with these companies, we conducted a detailed analysis of each company's public disclosures, focusing on key aspects of climate strategy and governance.

- **Governance:** We considered the governance structures overseeing climate risk and assessed whether companies provide climate-related training.
- **Targets:** We assessed whether the focus companies had publicly disclosed short-, medium- and long-term targets. This is critical for us to understand both the future trajectory of the business, as well as to track the companies' progress over time. In addition, we considered whether they have Science-Based Targets initiative (SBTi) verified targets or if they are working toward it.
- **Strategy:** We assessed each company's climate transition strategy, particularly how they plan to achieve their stated targets.
- **Remuneration:** We reviewed whether emissions reduction targets are linked to executive remuneration.
- **Decarbonisation capital expenditure:** We looked at whether historic decarbonisation capital expenditure and future planned capital expenditure to meet the targets over the short and medium term were disclosed.

- **Carbon tax implications:** We assessed disclosure of carbon tax, and whether the company would be subject to carbon taxes or carbon border adjustment mechanisms.
- **Just transition:** We determined whether the company would require a material shift in their operations to function in a lower carbon future. If so, we reviewed any related disclosures.

Following this desktop analysis, we reached out to the companies to request further information on the aspects which were missing. We engaged with 20 companies through video calls, emails and a formal letter.

Engagements for change

Our engagements helped us understand each company's individual progress in developing its climate strategy. We also advocated for improvements in three key areas: target setting, remuneration and capital expenditure disclosure.

- **Target setting:** Where companies did not set or disclose targets over the short, medium and long term, we engaged to request disclosure

Companies engaged with in 2024

Emerging markets:
FEMSA, Brava Energia, Prio SA, HDFC Bank, Sea Ltd, Yum China Holdings Inc. Reliance Industries, Kia Corporation, Taiwan Semiconductor Manufacturing Co., JD.com

South Africa:
Sasol, BHP Group Plc, Glencore, Anglo American Platinum, Mondi Plc, Impala Platinum Holdings, Sappi, Anheuser-Busch InBev, Anglo American, Sibanye-Stillwater

to ensure stakeholders are better able to understand the size and shape of the transition journey. For example, when we assessed Sappi, we noticed that they had targets for 2025 and 2030 but none for longer time periods. We requested the inclusion of this target, and they assured us that this was under consideration by the board.

- **Remuneration:** We encouraged the inclusion of emissions reduction targets in executive remuneration, particularly in long-term incentive plans. While we do not generally request a blanket inclusion of ESG or climate-related actions in remuneration, we do so if the risk is material to the company. Given that the companies we engaged with are among the highest emitters in our universe, we emphasised our preference for including emission reduction targets in their long-term incentive plans. This approach helps ensure that the current executive team is properly incentivised to take meaningful action toward meeting the longer-term goal. For instance, we encouraged Reliance Industries, an Indian energy company, to convey to their Remco or sustainability team that emissions reduction targets should be integrated into their long-term executive remuneration.
- **Capital expenditure:** We engaged with several companies to request enhanced disclosure on decarbonisation capex, aiming to gain a clearer understanding of the financial implications of their transition plans and to ensure that we have the necessary information to hold them accountable for meeting stated targets and strategies. In our discussion with Anglo American, we asked if they would consider disclosing the estimated future capex required to meet their 2030 target, enabling us to assess the scale of investment needed.

Signs of progress

The transition to a lower-carbon economy is complex, but our engagements and research process have revealed several encouraging developments.

- Many companies were receptive to our requests for improved disclosure and the inclusion of emissions reduction targets in **remuneration programmes**. Several indicated that they would relay our feedback to the relevant teams for consideration. As with any remuneration-related engagement, change is likely to take time, and we will continue to monitor disclosures and follow up as required.

- For **shorter-term targets**, companies were either already considering them or open to internal discussions. We will track progress over time to better understand their transition journeys and ensure accountability.
- While scope 3 data remains a significant challenge, many companies are actively engaging with their value chains to obtain relevant data and/or encourage decarbonisation. Given the complexities involved, it is encouraging to see **collaborative approaches** emerging, as pooling resources can accelerate decarbonisation. Additionally, while our engagement primarily focuses on publicly listed companies, many of these companies have extensive value chains that include unlisted entities, broadening the impact beyond the companies with which we directly engage.

What is a just transition?

According to South Africa's Climate Change Act a just transition means a shift towards a low-carbon, climate-resilient economy and society and ecologically sustainable economies and societies which contribute toward the creation of decent work for all, social inclusion and the eradication of poverty.

Common challenges

During our engagements, several common challenges were acknowledged.

- **The journey toward a lower carbon economy is rarely linear**, making it challenging to communicate short-term strategies and targets. Uncertainties about how transition pathways will unfold contribute to this complexity.
- **Disclosure on just transition remains limited**, with one company citing the sensitivity around information relating to headcount reductions as a key barrier. Where this issue was relevant, discussions indicated that companies were working on this in the background. Understanding these dynamics is particularly important in markets with high rates of unemployment and inequality. We will continue to engage with companies to assess the broader social implications of their transition strategies.
- **Regulatory uncertainty** also presents challenges for companies trying to understand the various pathways to transition to a lower carbon future. The future implications of the Carbon Tax Act and the Climate Change Act are two South African examples.
- **Addressing scope 3 emissions can be challenging**. One company noted that allocating capital expenditure toward scope 3 reductions would require investing in a customer's or supplier's business – an area where direct influence is limited. This lack of control makes setting targets or defining a strategy more complex.
- Several companies expressed **difficulty in separating decarbonisation capital expenditure from general business capex**. However, it remains critical to estimate the cost of achieving emissions reduction targets and to use historic capex as a mechanism to monitor progress in implementing these targets. By comparing future planned capex with actual spend during the year, it provides insight into implementation of the climate strategy.

Conclusion

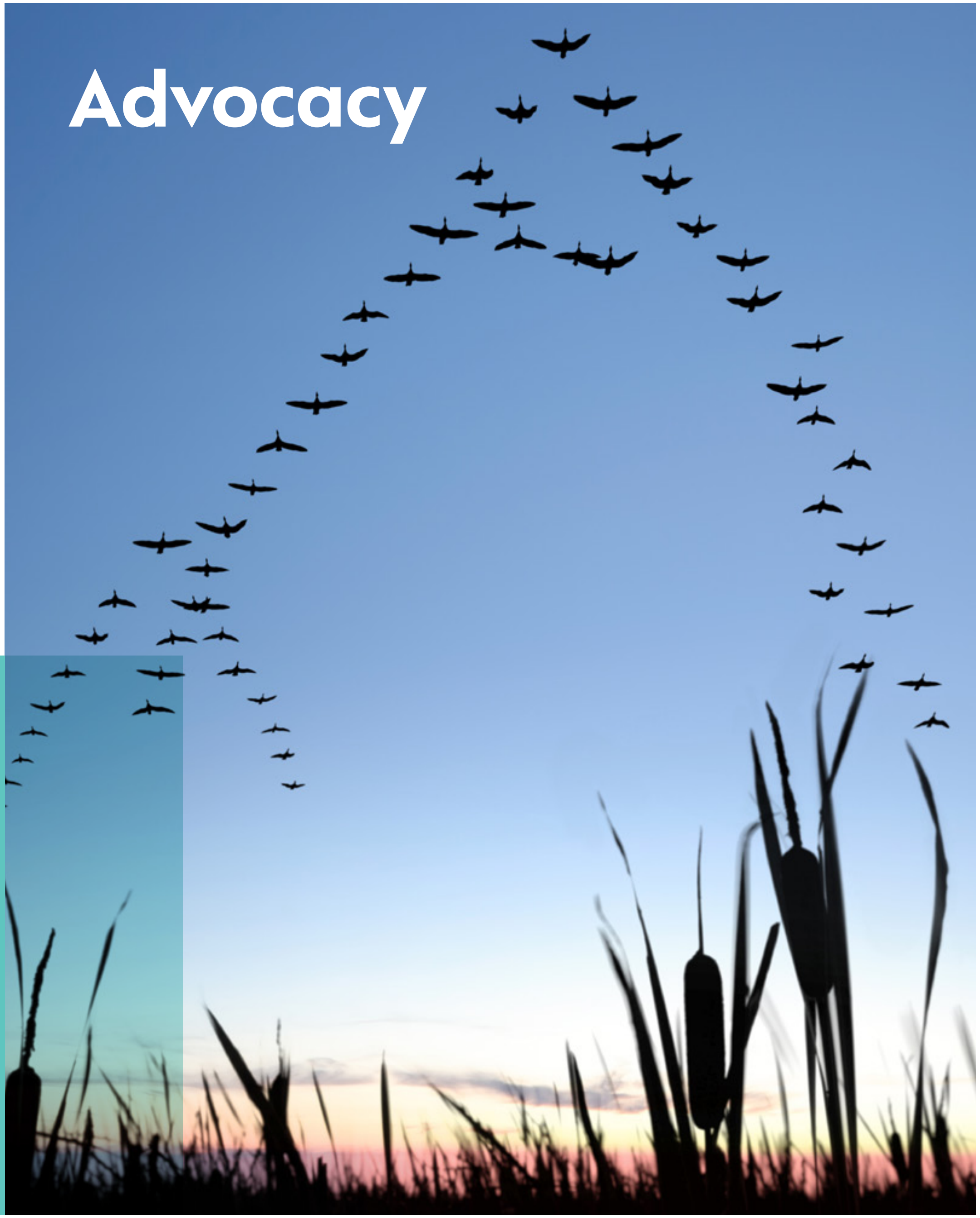
Climate risk impacts a broad range of companies across our investment universe, making it critical to understand its impact on their operations and the strategies companies adopt to mitigate these risks. Implementing effective climate strategies often requires substantial changes to business models, making the transition a multi-year journey.

Through our engagements, we have gained insights into how companies are addressing climate-related risk, while also advocating for meaningful change.

Where we have encouraged companies to improve disclosure or take further action, we will continue to monitor and engage as needed in the years ahead.

Our thematic focus on climate is an ongoing, long-term initiative. As we move into the next phase, we will shift our attention to a different subset of companies to assess their historic emissions profile and engaging where progress has been insufficient (refer to page 80). +

Advocacy



Throughout 2024, we actively promoted an investment industry that serves the long-term interests of asset owners and benefits the societies in which we operate. Our efforts included both individual engagements and collaborative initiatives through industry bodies, involving interactions with regulators, government officials, National Treasury and key stakeholders in the retirement industry. We firmly believe that addressing systemic challenges, such as financial market stability, climate change and social cohesion, often requires a collective industry response. As such, our advocacy activities focused on promoting a policy framework that helps mitigate systemic risks and support a more resilient industry ecosystem.

Driving industry collaboration in South Africa

We play a key role in the activities of the Association for Savings and Investment in South Africa (ASISA), which aims to ensure the sustainability and relevance of the investment industry for the benefit of the country and its citizens. With 23 of our employees serving on seven technical board committees and 32 standing committees and working groups within ASISA, we actively contribute to shaping the direction of the South African savings market. Our CEO is a member of ASISA's executive committee. In 2024, we participated in 212 ASISA meetings where we advocated across a broad range of matters affecting the South African savings market.

The financial services industry does not operate in isolation. In order to deliver long-term investment outcomes for our clients, the companies in which we invest need an environment in which they can thrive and grow. For this reason, we engage across sectors and industries via Business Unity South Africa (BUSA), Business Leadership South Africa (BLSA), the National Business Initiative (NBI), Business for South Africa (B4SA) and, when required, through direct engagement with regulators.

Shaping a sustainable industry

Transformation

In 2024, we announced a landmark transaction that will elevate Coronation's black ownership to 52%, as measured by the Financial Sector Code (FSC). This milestone reinforces our longstanding commitment to meaningful transformation, which has been an integral part of our culture and business strategy for more than three decades.

Key highlights of the proposed transaction include:

- **Increased black ownership:** Raising black ownership from 31% to 52%.
- **Employee empowerment:** Allocating a significant portion of new shares to black employees through an employee share scheme, benefiting approximately 193 employees.
- **Broad-based impact:** Introducing a community-focused component to support projects benefiting black South Africans.
- **Long-term commitment:** Structuring the transaction over a 10-year period to ensure sustainable transformation outcomes.

This step builds on our strong track record, including maintaining a Level 1 B-BBEE status since 2021, fostering a diverse workforce where 64% of employees are black and women represent 50%. Our initiatives, such as the Portfolio Manager Accelerate Programme and various other talent development programmes, continue to develop and empower black professionals, contributing to a more inclusive asset management industry in South Africa.

Reaching 52% black ownership marks a significant step forward, reflecting our belief that transformation is not just essential for our business but for South Africa's broader prosperity.

In 2024, we also provided input on the Draft Employment Equity Regulations that were released by the Minister of Employment and Labour. The regulations seek to identify and set employment equity targets for each national economic sector. The latest iteration introduced an overall target for black staff in place of individual race-based targets. We submitted our feedback via ASISA in May 2024. The amendments came into effect on 1 January 2025.

Enhancing retirement outcomes for South Africans

South Africa's new two-pot retirement system came into effect on 1 September 2024. This reform addresses a longstanding challenge: balancing the need for long-term savings preservation with access to funds during financial emergencies.

The reform divides future retirement fund contributions into two pots: two-thirds are allocated to

a "retirement pot", which must be preserved until retirement, while one-third goes into a "savings pot", that can be accessed annually, primarily for financial emergencies.

The successful rollout was achieved through extensive collaboration among key affected stakeholders across government and the retirement industry, including retirement funds, service providers, the South African Revenue Service (SARS), the Financial Sector Conduct Authority (FSCA), National Treasury, and ASISA.

The industry largely met the 1 September 2024 implementation deadline, overcoming significant complexity and risks despite a tight timeline. Key challenges included finalising regulatory changes to the Income Tax Act and Pension Funds Act, upgrading administrative systems to meet the new requirements, working with SARS to adjust processes for tax directives, and securing FSCA approval for updated fund rules. This effort also required clear communication to educate members about how the two-pot system works and the rules governing their savings.

At Coronation, we made all required changes to our systems for our personal pension products. Throughout the consultation and implementation process, we actively engaged with regulators, industry players, and ASISA to ensure a smooth and effective transition.

The first few months following implementation saw a significant volume of withdrawals due to the initial seeding process, underscoring the financial pressures many South Africans are facing.

With the initial seeding phase completed, the focus now shifts to stabilising the new system and ensuring that members are educated about how it works and the rules governing it. It is vital to emphasise the long-term cost of early withdrawals, which can disrupt the benefits of compounding and significantly reduce retirement savings. Members must be encouraged to preserve their savings wherever possible, as staying invested remains the most effective way to secure financial stability in retirement.

The tax treatment of collective investment schemes

In November 2024, National Treasury published a discussion document on the tax treatment of Collective Investment Schemes (CIS), inviting industry feedback on various options. CIS funds are the favoured long-term investment vehicle in South Africa, primarily used by retail investors to grow their savings. As of December 2024, they represented R4 trillion in assets.

The credibility of CIS vehicles lies in their simplicity, robust governance framework, and clear tax treatment. Currently, investment income is taxed annually, while capital gains are taxed only when investors sell their units. The full change in the value of underlying CIS holdings has historically been treated as capital, without requiring individual positions to be classified as income or capital in nature.

We believe that tax certainty is a critical issue for the savings industry, as any changes implemented in an overly punitive or uncertain manner could undermine investor confidence and the stability of long-term savings in South Africa.

In our feedback, we emphasised the need for tax policy to be designed to create an environment that provides certainty for investors, treats taxpayers fairly based on their tax status, and avoids introducing unnecessary administrative burdens. Furthermore, tax policy should align with international norms and standards to ensure the ongoing competitiveness of South Africa's savings industry.

Comments were submitted to National Treasury in December 2024, and we await further feedback. We remain committed to engaging with National Treasury directly and through ASISA to encourage outcomes that support the sustainability of the long-term savings industry in South Africa.

Legislation changes

The Companies Amendment Bill, a key piece of corporate governance legislation, had been under review and consultation since its initial draft in 2021. Following consultations and amendments, the Second Amendment Bill was passed by the National Council of Provinces in March 2024, was enacted into law as the Companies Amendment Act, 16 of 2024 and had been awaiting presidential proclamation regarding when it would come into force.

Throughout the review process, we consistently raised concerns around the remuneration-related provisions, particularly the proposal for binding shareholder votes on remuneration and the requirement for directors to stand down for re-election if a remuneration report is rejected. We emphasised the distinct responsibilities of shareholders and boards, noting that directors need to balance stakeholder interests and act in the company's best interest. Remuneration committees require specialised skills to handle these complex matters effectively. Instead of binding votes with potential punitive outcomes for directors, we advocated for non-binding votes alongside clear engagement mechanisms to allow companies and their directors to address shareholder concerns.

While the finally enacted Companies Amendment Act, 16 of 2024 largely mirrors the last version of the Companies Amendment Bill that had been presented to parliament, it now incorporates a more balanced "two-strike" approach for remuneration committee members in circumstances where an implementation report is voted down. This approach allows committee members to address shareholder concerns after an initial rejection. If the report is rejected again at the next AGM, affected members must step down from the committee for two years (rather than three, as initially proposed), though they may remain on the board if re-elected.

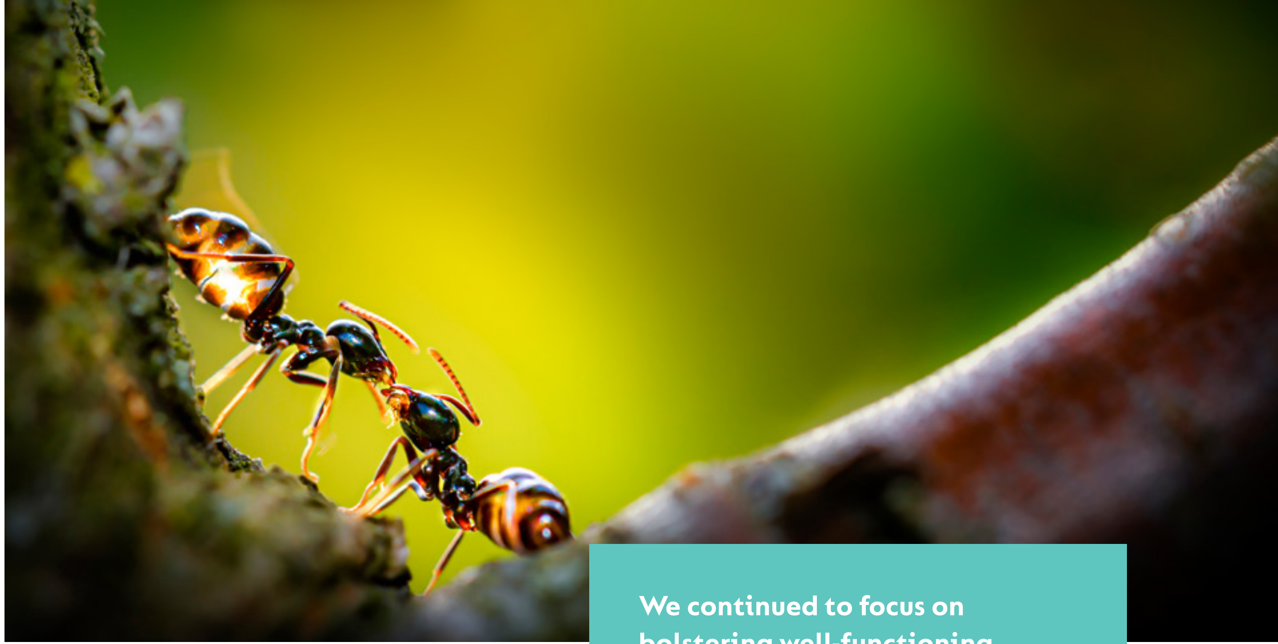
The President declared certain provisions of the Companies Amendment Act, 16 of 2024 as being in force with effect from 27 December 2024. Notably, the concerning provisions related to the binding vote on the remuneration policy and the implementation report, and the punitive consequences of the implementation report being voted down, have not yet been signed into law.

Supporting financial market stability

ASISA investment and systemic risk board committees

In 2024, we continued to focus on bolstering well-functioning financial markets through actions aimed at improving market efficiency, transparency, and overall resilience. As part of our commitment to supporting financial market stability, we were actively involved in the ASISA Investment Board Committee and the ASISA Systemic Risk Board Committee. These committees play important roles in reviewing and influencing matters related to market stability.

As an industry at the investment committee level, we continue to play a role in finding a way for private sector funding of public infrastructure, leveraging industry skills and capital.



We also participated in the ASISA Systemic Risk Board Committee, where we look to manage a range of matters impacting systemic risk especially focusing on how non-bank financial institutions can access SARB funding in the event of crisis, liquidity risks and mismatches, cyber resilience as well as new and emerging risks.

Monetary and fiscal policy

In South Africa, the Monetary Policy Committee (MPC) of the Reserve Bank determines interest rates, meeting six times a year and engaging with investors after each decision. As with prior years, we actively participated in these discussions, shared our views on interest rates, data interpretation, and policy outlooks.

Additionally, we continued to communicate with the Reserve Bank on key issues. In 2024, this included the discussion surrounding the potential lowering of the official inflation target,

We continued to focus on bolstering well-functioning financial markets through actions aimed at improving market efficiency, transparency, and overall resilience.

measuring sacrifice ratios (the cost to growth of lower inflation) and ad-hoc calls with various MPC members.

We also met with National Treasury after both the February Budget and the Medium-Term Budget Policy Statement in October to discuss fiscal assumptions and to raise policy concerns. Noteworthy here is the ongoing discussion related to proposals for a legislated fiscal anchor, uncertainty surrounding municipal debt and support for SOEs.

JSE Simplification Project

The JSE Simplification Project, launched in September 2023, aims to streamline and modernise the JSE Listings Requirements. Its objectives include eliminating outdated rules, simplifying complex language, reducing bureaucracy, removing ambiguities, and introducing other necessary updates. The project is being implemented in phases, with sections of the requirements reviewed and amended through public consultation.

We have actively participated in the consultation process throughout 2024, providing input to ensure the revised requirements support regulatory clarity and market efficiency. The project is nearing completion, and the new simplified JSE Listings Requirements are expected to be published in 2025.

Collaborative initiatives

Thinking Ahead Institute

The Thinking Ahead Institute (TAI) is a global network of investment organisations dedicated to advancing thought leadership on systemic investment challenges. TAI fosters collaboration among its members to address complex issues, promote sustainability, and improve long-term investment outcomes. We participated in three key initiatives led by the TAI during 2024, contributing to discussions on critical investment challenges and solutions:

- **Climate Transition Working Group:** This working group focused on key climate-related topics, including biodiversity, society and the just transition, the circular economy, and adaptation and mitigation.
- **Systems Curriculum Working Group:** This initiative explored the principles and practical applications of systems thinking within the investment industry. Discussions included systemic risks, leadership models, sustainable investing, and measurement frameworks like balanced scorecards, which provide a comprehensive view of progress and outcomes.
- **CIO-Ship Working Group:** This group addressed the evolving role of CIOs in managing portfolio complexity amid diverse goals and stakeholders. Key topics included the Total Portfolio Approach (TPA), new frameworks for viewing risk holistically, 3D investing (integrating risk, return, and real-world impact), and the alignment of governance, leadership, and strategy to enhance investment outcomes.

Climate Action 100+

Climate Action 100+ (CA100+) is an investor-led initiative aimed at advocating for better climate change governance, disclosure, and emissions reduction by the world's largest corporate carbon emitters.

As a member of CA100+, we participate in engagements with the two South African companies that are on the CA100+ list of high emitters: Eskom, where we act as a collaborating investor, and Sasol, where we serve as an individual engager.

Eskom

We participated in one CA100+ engagement with the signatory group on Eskom in 2024, focusing on the need for a credible transition plan that aligns with Just Energy Transition Partnership (JET-P) requirements and 1.5°C climate goals. Key issues discussed included the role of JET-P funding, the importance of a clear decommissioning schedule for existing coal plants, and a pipeline for new power generation projects.

Eskom's unbundling process has progressed, with the launch of the National Transmission Company SA (NTCSA) marking a key milestone. While some leadership gaps remain, engagement with Eskom is resuming after being largely on hold in 2023. We will continue to participate in collaborative engagements to advocate for a transparent and credible transition plan that balances South Africa's climate commitments with energy security realities.

Sasol

In 2024 we held seven engagements with Sasol, covering topics such as climate strategy, remuneration, capital structure, business strategy, risk management, succession planning, health and safety, water security, and other environmental concerns. Most of these discussions included a focus on climate-related issues. Discussions evaluated Sasol's 2030 transition plan and identified areas requiring further focus. As an individual engager we report our activities to the CA100+ collaborating group. Key priorities of the group engagement include enhancing governance and board competence, aligning messaging between the board and executives, and integrating executive remuneration with the company's transition objectives.

While Sasol has made progress in areas where decarbonisation aligns with financial benefits, such as investing in renewable power for its operations, management has recently changed, and they are expected to present an updated strategy and further clarity on their emission reduction plans during 2025. We will continue to monitor their progress and refine our engagement objectives as further details on their long-term plans emerge.

Other climate-related activities

JSE Sustainability and Climate Disclosure Guidance

In June 2024, we submitted feedback to ASISA on the JSE Sustainability and Climate Disclosure Guidance, which was being updated to align with the International Financial Reporting Standards IFRS S1 and IFRS S2. IFRS S1 sets general requirements for sustainability-related disclosures, while IFRS S2 focuses on climate-related financial disclosures, including scope 1, 2, and 3 greenhouse gas emissions.

Our key recommendation addressed the proposal to make scope 3 financed emissions a core requirement. Given that IFRS S2 has not yet been adopted in South Africa and considering the complexities and data gaps, particularly in emerging markets, we suggested keeping financed emissions as a "leadership metric". We also recommended distinguishing between passive portfolio emissions and active financed emissions to improve reporting clarity.

Subsequently, the JSE decided to delay updating its voluntary sustainability guidance, opting to align with broader regulatory discussions on mandatory sustainability reporting in South Africa. This reflects an effort to ensure a unified and coordinated approach across industry stakeholders. We will continue to monitor these developments and engage in discussions to support a coherent and effective sustainability reporting framework.

Carbon Tax Act
We submitted comments to National Treasury on the discussion paper for Phase 2 of the Carbon Tax Act, issued for public comment in December 2024. The clarity provided in the discussion paper is welcomed, as it is essential for high-emitting investee companies to make informed investment decisions.

Given the urgency of South Africa's transition and the significant financial commitments required from high-emitting companies, we support measures that incentivise transition-related spending. We encourage National Treasury to consider increased performance allowances to drive investment in lower carbon technologies or to allocate a portion of additional revenue to just transition initiatives. We will continue to monitor the evolution of the Carbon Tax Act and its impact on our investee companies.

We encourage National Treasury to consider increased performance allowances to drive investment in lower carbon technologies or to allocate a portion of additional revenue to just transition initiatives.

Climate Change Act
The Climate Change Act was signed into law by the President in July 2024. This aims to enable South Africa to develop an effective climate change response and to achieve a just transition to a low-carbon economy in the context of sustainable development. There are implications for our investee companies in the impacted sectors. The most notable impacts will be the carbon budgets imposed on affected companies and the requirement for companies to prepare, submit and implement a greenhouse gas mitigation plan. As the act is not yet in force and relies on other policy decisions, there is still a high degree of uncertainty about its impact. We will continue to monitor and engage with our companies to understand the implications going forward.

Collaboration on municipal water management
Given the priority of water risks for local asset managers, we participated in four investor calls – two focused on planning municipal engagements and two collaborative discussions with the cities of Cape Town and Ekurhuleni on water management challenges and solutions.

For Cape Town, we inquired about tracking water outages and progress of its water strategy. For Ekurhuleni, discussions covered the National Water Amendment Bill, service delivery, capex funding, coordination with asset management, HR shortages, climate adaptation and SPV structuring for water projects.

Both municipalities provided detailed responses, making the engagements productive and informative. These discussions strengthened our understanding of municipal water management efforts and will inform our ongoing engagements with companies on water-related risks.

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Codes of conduct and governance

Principles for Responsible Investment (PRI) reporting and assessment

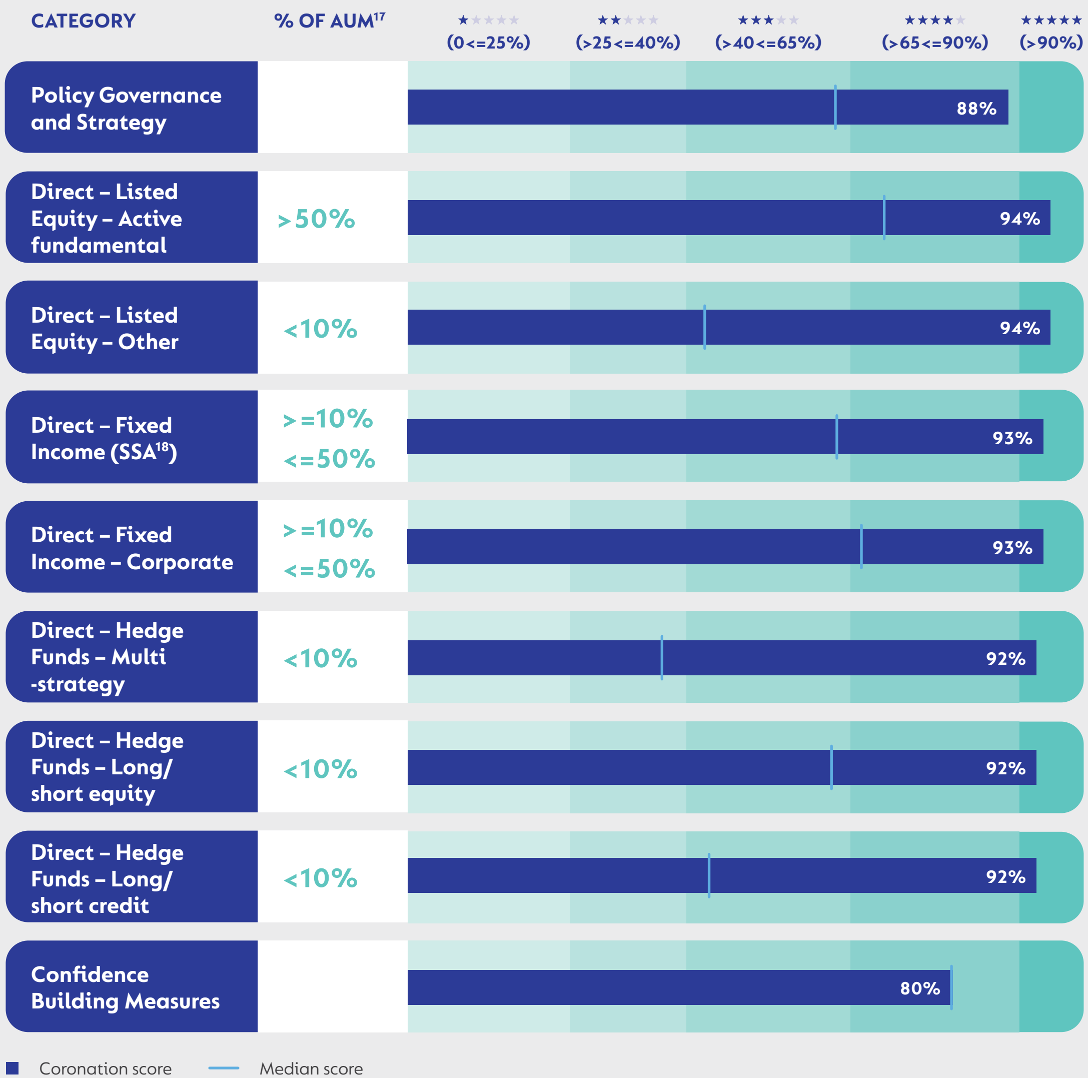
The PRI assessment remains a critical benchmark for evaluating our responsible investment practices against global best standards. This year's results reflect both consistency and progress, as we maintained four stars in Policy Governance and Strategy while achieving five stars in key asset classes, including Listed Equity, Fixed Income, and Hedge Funds. Notably, our Confidence Building Measures score improved significantly, increasing from two stars to four stars. The entire report was internally reviewed and approved by senior executive-level staff. This provided additional assurance regarding the credibility of the submission.

These results affirm our commitment to integrating ESG considerations effectively and demonstrate meaningful progress while maintaining strong performance in core areas. They provide valuable insights as we continue to align our practices with global best standards and identify opportunities for further improvement.

PRI Progression Pathways

We also participated in the Principles for Responsible Investment (PRI) Progression Pathways initiative, which aims to support

FIGURE 40: CORONATION'S LATEST PRI ASSESSMENT



[17] % of asset class of total Coronation AUM
[18] Sovereign, supranational and agency debt

Sources: PRI Assessment Report 2024; Coronation signatories in advancing their responsible investment practices through tailored guidance and benchmarking. The PRI's Progression Pathways are designed to offer a step-by-step journey for signatories, acknowledging the varying contexts and approaches within the investment community.

As part of this co-design process, we engaged in a virtual focus group in June 2024, providing initial feedback on key areas of the model. We subsequently submitted a survey offering suggestions to refine and enhance the framework. Our contributions focused on ensuring the Progression Pathways effectively address the diverse needs of signatories and promote meaningful advancement in responsible investment practices.

The PRI's Lauren Green, David Atkin and Tendai Matika with Coronation's Kirshni Totaram during the PRI's visit to our office in Cape Town.

PRI CEO visit

We had the privilege of hosting David Atkin, CEO of the Principles for Responsible Investment (PRI), at our Cape Town offices. During his visit to South Africa, Mr Atkin engaged with PRI signatories, prospective signatories, and other key stakeholders in the responsible investment ecosystem. This included a roundtable discussion on the PRI's latest strategy and explored the unique challenges and opportunities of advancing responsible investment in emerging markets.

ASISA Responsible Investing Standing Committee

The ASISA Responsible Investing Standing Committee (RISC) met throughout 2024 to discuss key topics influencing responsible investment practices. These included updates on the progress of drafting new Terms of Reference for CRISA, updates from the PRI and developments in Sustainable Finance Initiatives. The WWF presented guidance on the Science-Based Targets initiative (SBTi) and insights into financial flows within the blue economy, which explores sustainable ways to utilise ocean resources while protecting marine ecosystems.

ASISA RISC remains a useful forum for highlighting sustainability-related events and relevant policy consultations.

Other governance-related activities

Institutional Shareholder Services (ISS) is a leading global proxy advisory company that significantly influences shareholder voting actions worldwide. As part of ISS's annual Global Benchmark Policy Survey, we submitted feedback on proposed policy changes across various regions. Our input covered topics such as executive compensation and poison pills in the US, share issuances in France, auditor rotation and virtual meetings in Europe, cumulative voting in the Middle East and North Africa, and environmental and social issues, including scope 3 GHG emissions and workforce diversity.

We also participated in the RisCura Remuneration Survey, which engaged South African asset managers to better understand their attitudes and practices regarding executive remuneration and the vertical wage gap. This was conducted in response to the Companies Amendment Act, which requires companies to disclose the pay gap between the highest and lowest-paid workers as a multiple. The bill aims to address inequality and promote transparency and accountability. We provided feedback on how we engage with investee companies on remuneration, emphasising our approach to aligning pay practices with long-term value creation. We also shared our views on the proposed amendments, highlighting both their potential impact and practical considerations for companies.

Future focus

Our advocacy efforts in 2025 will continue to focus on ensuring policy and regulatory frameworks support sustainable long-term investment. Key priorities include maintaining market stability, promoting transparent and predictable tax policies, and contributing to pragmatic climate-related policy development.

We will remain engaged in discussions on the tax treatment of collective investment schemes (CIS), advocating for policies that provide certainty, fairness, and alignment with international best practice. As sustainability reporting evolves, we will work with regulators to support a coherent approach that balances global standards with local market needs.

Regarding climate policy, we will continue to engage with policymakers on regulations, which impact our sector and high-emitting investee companies. Our focus remains on ensuring a just and practical transition that accounts for both climate imperatives and economic realities.

Through direct engagement and industry collaboration we aim to contribute to effective policy solutions that foster a stable, competitive, and sustainable investment environment in all the regions in which we operate. +

Looking ahead

Looking into the future, we remain committed to driving meaningful change and upholding the highest standards of environmental, social, and governance practices. To achieve this, we continue integrating sustainability factors into the investment process, actively engaging with investee companies and collaborating with like-minded organisations. We also advocate for effective legislation and regulations to contribute to a sustainable operating environment.

In 2025, we have outlined our thematic engagement projects to tackle pressing global challenges such as climate change, data privacy and labour rights. In order to drive meaningful change, we are actively engaging with multiple companies through targeted thematic initiatives and participating in collaborative efforts, including as a member of Climate Action 100+. Alongside these broader initiatives, we continue addressing company-specific sustainability concerns, as outlined in the table on page 82.

Our efforts are guided by a clear purpose: To deliver superior long-term outcomes for our clients as responsible stewards of their capital.

Climate change

Climate change is a systemic risk requiring engagement across our investment universe over multiple years. In 2024, our thematic engagement project on climate change focused on the highest emitters in our South African coverage universe, as we believe that reducing their emissions will likely have the most significant economy-wide impact.

This year, we are advancing the project by engaging with South African companies that have not shown to be making progress on emissions reduction. Our goal is to analyse the historical emissions data across our South African universe to better understand how each company's emissions profile has changed over time.

When companies show signs of stagnating or moving in the wrong direction, we aim to proactively engage with them to understand their strategic direction and targets. Depending on the outcomes of these discussions, we will take the following steps:

- If companies lack a clear or adequate strategy, we will engage them to set appropriate targets and implement an effective transition plan.
- If a strategy exists but emissions are not yet reflecting improvement, we will conduct a thorough analysis to identify barriers to progress, engage with management to understand the challenges and set expectations as to when we can expect to see improvements in emissions profiles.

Climate Action 100+: Eskom and Sasol

In addition to our thematic climate project as outlined above, we continue to engage with South Africa's two high emitters on the CA100+ list: Eskom and Sasol. As a member of CA100+, we serve as a collaborating investor for the state-owned electricity provider Eskom and an individual engager for the petrochemical company Sasol. Although we do not have direct exposure to Eskom debt, both Eskom and Sasol are pivotal to South Africa's energy transition.

To access Just Energy Transition Partnership (JET-P) financing, Eskom would have to develop a transition plan aligned with the 1.5°C climate goal. The plan needs to include a detailed roadmap for decommissioning coal plants and initiating new power generation projects. With Sasol, decarbonisation efforts appear to be selective, focusing on financially viable projects such as renewable energy. However, the company remains heavily reliant on coal, with little indication of a substantial shift. This approach is influenced by its significant debt and a short- to medium-term focus on maintaining financial stability.

For both companies, our engagement priorities focus on emission reduction strategies and alignment with key climate-related legislation. This includes the Climate Change Act, Electricity Regulation Amendment Act, National Greenhouse Gas Inventory, sectoral emissions targets (SETs), and recently introduced or proposed carbon tax policies in South Africa.

Data privacy

Companies across our investment universe face varying degrees of exposure to the handling, storing, and processing of personal and sensitive information relating to customers, employees, and suppliers. Data breaches – whether through negligence or malicious intent – can have severe financial, reputational, and social consequences for companies.

Data breaches – whether through negligence or malicious intent – can have severe financial, reputational, and social consequences for companies.

With this in mind, digital rights was a key thematic area of focus in 2023. We engaged with investee companies in our Global Emerging Markets portfolio to ensure they had appropriate governance structures in place to help mitigate this risk to an acceptable level.

In 2025, we are expanding this project to companies included in our South African investment universe as well as companies in our Global Equity Strategy. Our approach begins with detailed research to identify companies with higher exposure to sensitive and personal information. We will then analyse their disclosures and security frameworks to assess the robustness of their governance structures in preventing accidental breaches or cyber attacks. If we identify weaknesses in these safeguards, we will engage with companies to advocate for the necessary improvements. Should significant concerns remain, and if the risk is a material risk to the company, we will reassess the ESG impact on the company's valuation multiple.

Labour rights

The global shift towards stakeholder-centric business models acknowledges that businesses perform better over the longer term when they operate in a sustainable manner, taking into account a wider variety of risks and impacts on the business. Amongst these stakeholders, employees play a pivotal role, and as such, labour conditions in a company's direct operations and its supply chain are of particular importance. Poor management of labour conditions can lead to reduced productivity, regulatory fines, legal disputes, high employee turnover and severe reputational damage.

In 2025, we will conduct a comprehensive analysis of companies in our Global Emerging Markets portfolio, with particular focus on regions and sectors most vulnerable to labour-related risks. One key area of scrutiny is the classification of workers as self-employed contractors in the "gig economy", a practice facing growing global debate. Governments are increasingly considering expanding labour protections to gig workers, which could have significant financial and operational implications for businesses. This is one of several areas that we will look into for companies within our Global Emerging Markets portfolio. We will analyse their disclosures and engage with companies where we identify material risk of mismanagement or inadequate transparency.

Ongoing engagement priorities

In addition to the thematic priorities described above, we have identified the themes below as key priorities for company-specific engagements.

Board structure	Ensuring independent, skilled and diverse leadership. We will engage to ensure that the composition of the boards of companies that we invest in is conducive to value creation for shareholders.
Diversity and inclusion	Ensuring an appropriate level of diversity within organisations as a source of competitive advantage and to enhance long-term company success.
Executive remuneration	Engaging to ensure alignment between management and shareholder interests through a transparent and appropriate remuneration policy and appropriate implementation.
Water security	Promoting sustainable and equitable access to clean water, as well as mitigating any negative impacts a company may have on shared water resources.
Shareholder value	Focusing on opportunities to unlock or enhance shareholder value or avoiding activities that undermine value creation. These engagements will be tailored to each company's unique circumstances and could range from business strategy, capital structure and capital allocation to corporate actions and regulatory matters.

Making a difference

Our discussions with investee companies often address many of the UN's Sustainable Development Goals (SDGs) that have been developed in order to encourage a comprehensive approach to the achievement of global sustainability objectives. The table below provides an overview of the extent to which our priorities for 2025 are expected to address each of the SDGs. +

	1 No poverty	2 Zero hunger	3 Good health and well-being	4 Quality education	5 Gender equality	6 Clean water and sanitation	7 Affordable and clean energy	8 Decent work and economic growth	9 Industry, innovation and infrastructure	10 Reduced inequalities	11 Sustainable cities and communities	12 Responsible consumption and productions	13 Action climate	14 Life below water	15 Life on land	16 Peace, justice and strong institutions	17 Partnerships for the goals	Other
Climate change							●						●					
Labour rights								●		●								
Water						●						●	●					
Board structure					●			●		●						●		
Executive remuneration								●										
Shareholder value								●										
Diversity, inclusion and company culture					●			●		●								
Data privacy[19]																		●

[19] *Data security has only risen to prominence after the UN SDGs were identified in 2015 and is therefore not included in the list of goals Our digital rights project aims to protect and enhance consumer rights*

Appendix

Alignment with the UK Stewardship Code

The table below sets out how our stewardship approach aligns with the 12 principles of the UK Stewardship Code with reference to the information published in this report and other reference materials.

Principles for asset owners and asset managers	Applicable section/s of this report	Other reference material
Purpose and governance		
1. Purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.	**About Coronation:** our purpose, our culture and values, our investment offering, meaningful social impact	**Integrated Annual Report:** our purpose and values, and how we create value for stakeholders **Stewardship and Sustainable Investing Policy:** our beliefs and approach
2. Governance, resources and incentives support stewardship.		**Our Stewardship Approach:** governance and oversight, stewardship resources **Stewardship and Sustainable Investing Policy:** ownership and governance **Proxy Voting Policy:** ownership and governance **Integrated Annual Report:** our governance framework, remuneration report
3. Manage conflicts of interest to put the best interests of clients and beneficiaries first.		**Our Stewardship Approach:** governance and oversight **Conflicts of Interest Policy:** how we identify and manage conflicts within the business
4. Identify and respond to market-wide and systemic risks to promote a well-functioning financial system.	**Advocacy:** shaping a sustainable industry	**Integrated Annual Report:** championing active corporate citizenship

Principles for asset owners and asset managers	Applicable section/s of this report	Other reference material
5. Review policies, assure processes and assess the effectiveness of activities.		**Our Stewardship Approach:** ownership and governance **Stewardship and Sustainable Investing Policy:** ownership and governance **Integrated Annual Report:** combined assurance model
Investment approach		
6. Take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.	**Client focus:** ESG client survey **Engagement and proxy voting** **Stewardship in a changing climate** **Case studies**	**Integrated Annual Report:** about us, how we create value for stakeholders **Stewardship and Sustainable Investing Policy:** reporting
7. Systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.	**About Coronation:** our stewardship approach **Stewardship in a changing climate** **Case studies**	**Stewardship and Sustainable Investing Policy:** ESG incorporation **Our Stewardship Approach**
8. Monitor and hold to account managers and/or service providers.		**Our Stewardship Approach** **Stewardship and Sustainable Investing Policy:** engagement with investee companies

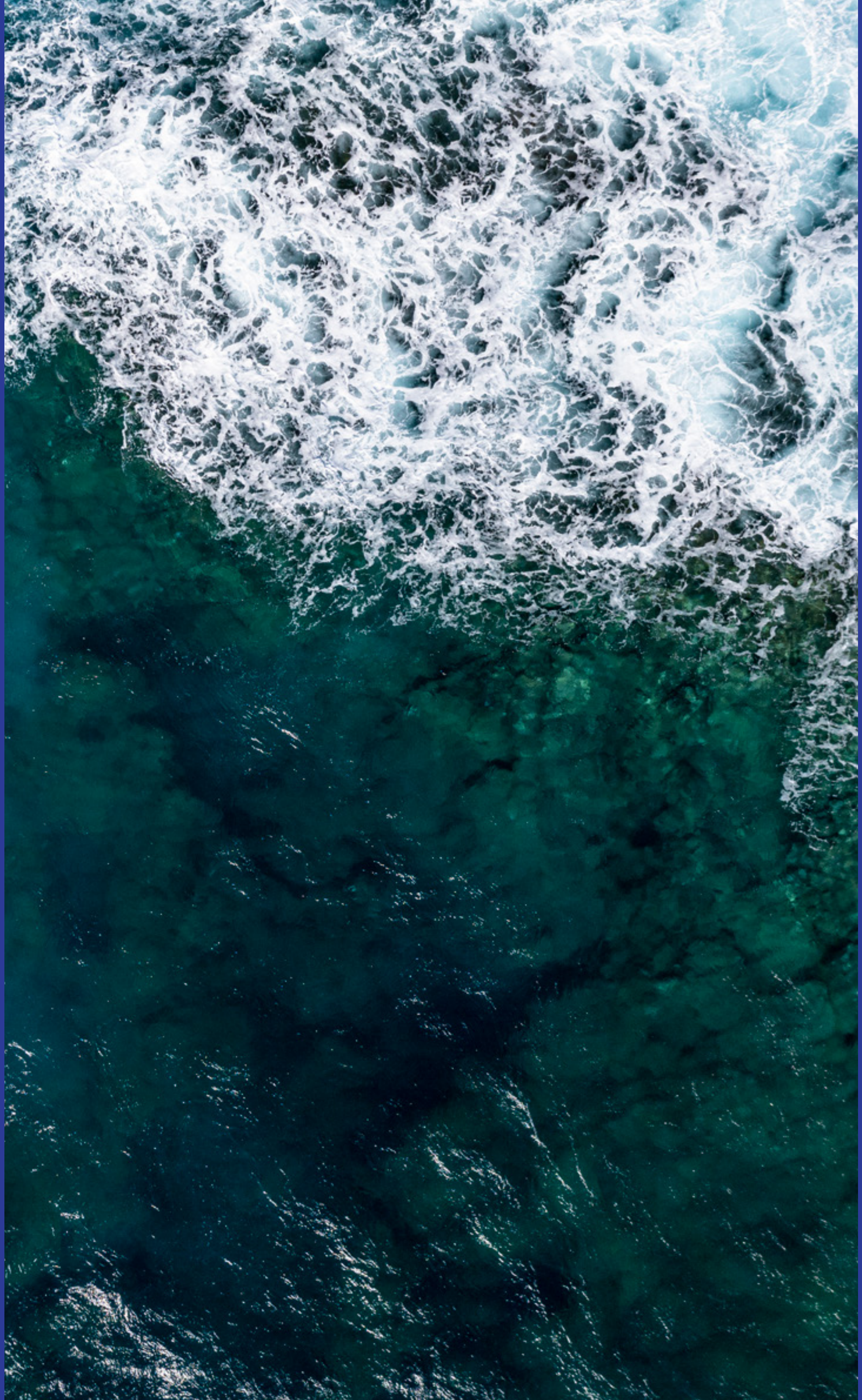
Principles for asset owners and asset managers	Applicable section/s of this report	Other reference material
Engagement		
9. Engage with issuers to maintain or enhance the value of assets.	**About Coronation:** our stewardship approach **Engagement and proxy voting** **Stewardship in a changing climate** **Case studies**	**Stewardship and Sustainable Investing Policy:** engagement with investee companies **Our Stewardship Approach:** the four pillars of our approach, fixed income stewardship
10. Where necessary, participate in collaborative engagement to influence issuers.	**About Coronation:** our stewardship approach **Advocacy** **Case studies**	**Stewardship and Sustainable Investing Policy:** engagement with other stakeholders **Our Stewardship Approach:** the four pillars of our approach
11. Where necessary, escalate stewardship activities to influence issuers.	**About Coronation:** our stewardship approach **Engagement and proxy voting:** our voting record **Case studies**	**Stewardship and Sustainable Investing Policy:** engagement with investee companies **Our Stewardship Approach:** the four pillars of our approach
Exercising rights and responsibilities		
12. Actively exercise their rights and responsibilities.	**Engagement and proxy voting:** our voting record	**Our Stewardship Approach:** proxy voting **Stewardship and Sustainable Investing Policy:** voting **Proxy Voting Policy:** proxy voting guidelines

Alignment with CRISA

The following table sets out how our Stewardship policies and approach are aligned to the principles of the Code for Responsible Investing in South Africa 2 (CRISA 2).

Principle	Evidence
1. Investment arrangements and activities should reflect a systematic approach to integrating material environmental, social and governance (ESG) factors.	**Our Stewardship Approach** outlines how we integrate sustainability considerations into our investment process and provides examples of the nuances in forming a holistic view and incorporating these insights into company valuations. Our **Stewardship and Sustainable Investing Policy** sets the guiding principles behind our approach and explains how we incorporate ESG factors into investment analysis and decision making.
2. Investment arrangements and activities should demonstrate the acceptance of ownership rights and responsibilities diligently enabling effective stewardship.	**Our Stewardship Approach** explains how we fulfil our ownership responsibilities through engagement and proxy voting. Our **Stewardship and Sustainable Investing Policy** defines our engagement and voting policies, while our Proxy Voting Policy outlines the principles guiding our voting decisions. In this report, **Engagement and proxy voting** (page 18) provides an overview of our activity during the year. The report includes case studies illustrating engagements, escalations, their progress and outcomes, as well as how we exercised our voting rights. Additionally, we highlight the real-world impact of our engagements by mapping them to the Sustainable Development Goals (SDGs).
3. Acceptance and implementation of the principles of CRISA 2 and other applicable codes and standards should be promoted through collaborative approaches (as appropriate) and targeted capacity building throughout the investment industry.	**Our Stewardship Approach** outlines how we collaborate within the investment ecosystem. Our **Stewardship and Sustainable Investing Policy** explains how we work in collaboration with the wider investment community to drive positive outcomes for investors. In this report, **Advocacy** (page 70) details the collaborative initiatives in which we participate and our contributions toward improving financial market functioning and addressing systemic risks throughout the year.

Principle	Evidence
4. Sound governance structures and processes should be in place (including at all levels of the organisation) to enable investment arrangements and activities that reflect and promote responsible investment and diligent stewardship, including proactively managing conflicts of interest.	**Our Stewardship Approach** describes our approach to governance and oversight. Our **Conflicts of Interest Management Policy** establishes how we identify and manage conflicts within our business.
5. Investment organisations should ensure disclosures are meaningful, timeous and accessible to enable stakeholders to make informed assessments of progress towards the achievement of positive outcomes.	We are committed to transparency in reporting our activities and implementation of our policies. As a signatory to the PRI, and a supporter of CRISA and the UK Stewardship Code, we regularly update clients on how we fulfil our responsibilities. We communicate the outcomes of our activities through client interactions, regular reporting and our annual Stewardship Report. Our voting activities are disclosed on our website and updated monthly. All relevant policies and reports, including our annual Stewardship Report, are publicly available on our website. As a PRI signatory, we also report annually on our responsible investment activities. +



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CAPE TOWN
7th Floor, MontClare Place
Cnr Campground and Main Roads
Claremont 7708

PO Box 44684
Claremont 7735

Telephone: +27 (0)21 680 2000
Fax: +27 (0)21 680 2100

JOHANNESBURG
3rd Floor, Building 2
Oxford and Glenhove
114 Oxford Road
Houghton 2196

Telephone: +27 (0)11 328 8200
Fax: +27 (0)11 684 2187

PRETORIA
1st Floor, Block 4
The Boardwalk Office Park
Eros Street
Faerie Glen 0043

Telephone: +27 (0)12 990 9040
Fax: +27 (0)12 991 6079

DURBAN
Suite 6, 15 The Boulevard
Westway Office Park
Westville 3635

Telephone: +27 (0)87 354 0508

LONDON
15 Sackville Street London
W1S 3DN
United Kingdom

Telephone: +44 (0)207 389 8840
Fax: +44 (0)207 389 8899

DUBLIN
Suite One, 2 Grand Canal Square
Macken Street
Dublin D02 A342, Ireland

Telephone: +353 (0)1 674 5410
Fax: +353 (0)1 674 5411