2023 Stewardship Activities Report

CORONATION

TRUST IS EARNED™

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Foreword

Dear stakeholders

Welcome to our annual Stewardship Activities Report.

As we reflect on the past year, we are proud to share the initiatives and meaningful strides we have made in our commitment to responsible stewardship. The investment industry can play a powerful role in creating sustainable wealth for investors and in helping build a better world.

This report outlines our efforts to uphold the highest standards of environmental, social and governance practices, demonstrating our dedication to sustainability and ethical leadership.

We know from our own business how critical corporate culture can be to the success and longevity of a business. Too frequently, in many asset management businesses, active ownership or ESG matters are an afterthought or a box-ticking exercise often fulfilled by a separate team. As a long-term investor, we consider these issues critical to how we invest, how we manage our own business and how we interact with clients.

2023 was another turbulent and tough year for the global economy. Geopolitical tensions remained heightened with no sign of an end to the war in Ukraine and with a material escalation in the conflict in the Middle East.

Regulators were also active throughout the year with the issuance of the inaugural International Sustainability Standards Board (ISSB) guidelines and the final Transition Plan Taskforce Disclosure framework. The publication of the Taskforce on Nature-related Financial Disclosures (TNFD) recommendations reflected the growing focus on nature-related issues.

Our achievements this year are not just metrics and milestones; they reflect our commitment to the well-being of our communities and the health of our planet. Our clients trust us to manage their assets for the long term, and active ownership and stewardship are key parts of this commitment. All of our investment staff are involved in our stewardship work, and as long-term investors, we believe that our approach to analysing underlying companies, engaging with management and voting thoughtfully supports investment performance.

Disclosure is not an end in itself, but through transparent reporting, we aim to foster trust and build stronger relationships with our stakeholders.

In this document, we invite you to explore the issues we have tackled, understand some of the challenges we face, and celebrate the successes (many over multiple years) that your support has made possible. Thank you for your continued trust and partnership in this journey towards a sustainable future.

Sincerely,

Kirshni

KIRSHNI TOTARAM
Global Head of Institutional Business

About Coronation

30 Years of Earning Trust

Coronation Fund Managers is a leading active investment manager based in Cape Town, South Africa. As responsible stewards of our clients' capital for more than 30 years, our purpose is clear and simple: To deliver superior long-term investment outcomes for our clients. We are one of the largest independent asset managers in the country and invest the long-term savings of millions of South Africans. Our clients include individuals, retirement funds, medical schemes and financial institutions. We also manage assets for several leading international retirement funds, endowments, and family offices.

Over the past 30 years, we have delivered world-class investment performance for our clients, with 96%[2] of our institutional portfolios outperforming their benchmarks since inception. Our ownership structure reflects our strong culture of ownership, with 29% of the company owned by staff through our listing on the Johannesburg Stock Exchange (JSE). Furthermore, 57% of staff members own Coronation shares, underscoring our commitment to aligning the interests of our employees with those of our clients and shareholders. This includes 100% of the management team and 93% of the investment team. The rest of our shares are held by a wide array of global investors.

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

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.

R631bn

ASSETS UNDER MANAGEMENT ($33.4 BILLION)[1]

96%

OF INSTITUTIONAL PORTFOLIOS OUTPERFORMED THE BENCHMARK SINCE INCEPTION[2]

1 *Assets under management as at 31 March 2024*
2 *As at 31 March 2024; on an asset-weighted basis; since inception figure refers to strategies with a 10-year+ track record*

Assets under management

Coronation currently manages R631 billion in client assets ($33.4 billion)

FIGURE 1: AUM BY CLIENT TYPE

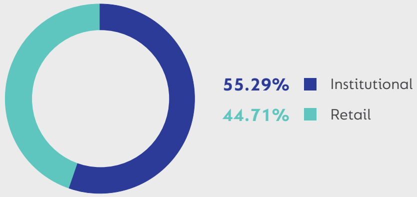


FIGURE 2: AUM BY INVESTED ASSET CLASS

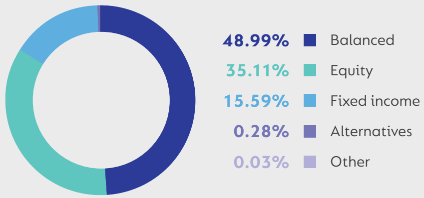
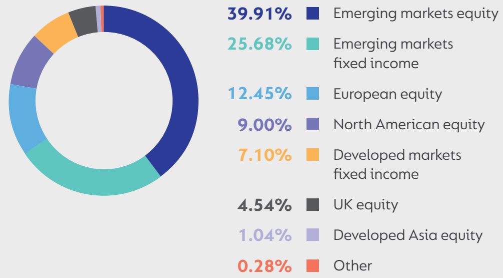


FIGURE 3: AUM BY INVESTED REGION



We apply a single long-term, valuation-driven investment philosophy and process consistently 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[3]:

- Our Houseview Equity Strategy outperforming its benchmark by a cumulative total of 3 995.3% since inception in 1993 (2.4% p.a.).
- Our multi-asset Global Houseview Strategy outperforming its benchmark by a cumulative total of 2 271.4%, also since 1993 (delivering real returns of 9.1% 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 8.3% p.a. since 1999.

In global markets:

- Our Global Emerging Markets Strategy has outperformed its benchmark by a cumulative total of 60.6% since inception in 2008 (2.2% p.a.).
- Our multi-asset Global Managed Strategy has outperformed its benchmark by a cumulative total of 21% to clients since 2009 (delivering real returns of 4.4% p.a.).

B-BBEE CONTRIBUTOR AS MEASURED BY THE FINANCIAL SECTOR CODE

Level 1

EMPLOYEE OWNED

29%

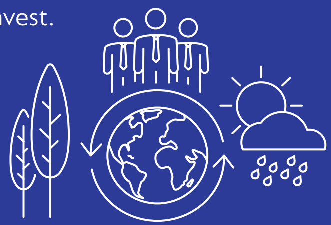
[3] *All figures as at 31 March 2024*

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, proactively advocating for change and addressing systemic risks in our operating environment.

INTEGRATION

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

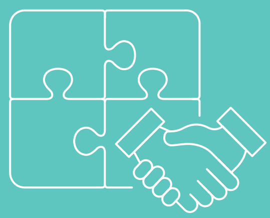


ENGAGEMENT

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

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

Our stewardship activities are built on four elements: integration, engagement, collaboration and public policy advocacy.

Our achievements

A year of accolades

ABSIP[4] *Black Fund Manager of the Year* – **Global Multi-Asset and Domestic Multi-Asset**

Ranked 1st for Gender Reporting **by JSE-listed companies at the Accenture Gender Main-streaming Awards**

Winner **of the Irish Pensions Diversity Award**

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

Winner **of the European Pensions Diversity Award**

First place **in the UN-established Women Empowerment Principles Awards for Transparency and Reporting**

30 years of generating exceptional value for clients

1993-2023 30 Years Trust is Earned

Coronation's flagship equity fund has **grown client money** by more than **80 times** since inception.

More than 80% of our clients from **20 years ago** are **still clients today**.

We remain committed to being a diverse and inclusive company

FEMALE BOARD CHAIR

50% OF OUR EMPLOYEES ARE FEMALE[5]

50% OF OUR BOARD DIRECTORS ARE FEMALE

75% OF NEW STARTERS ARE FEMALE

Client portfolios benefit from our vast experience

367 YEARS

Of combined senior investment experience

341 EMPLOYEES

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

>10 YEARS EXPERIENCE

More than two-thirds of our investment team

53 CFAs

In our team

4 Association of Black Securities and Investment Professionals
5 South African employees as at 31 March 2024

Cultivating diversity and inclusion

Our South African roots have given us a deep appreciation of the need to cultivate a culture of diversity, equity and inclusion not only in our business but also in the broader industry and society. Throughout our 30-year history, we have been committed to nurturing a diverse workforce and to driving industry-wide transformation.

For us, diversity is not simply a human resources target. Instead, it is entrenched in our culture. We believe that diverse collaborators are better equipped to face the challenges in competitive and uncertain environments and that fostering an inclusive work environment is critical to unlocking the diversity dividend. Our ability to leverage diverse views is a source of competitive advantage and has been a key contributor to our success.

The structure and organisation of our investment team have helped promote inclusivity over time. Portfolio managers and research analysts form one integrated team, allowing them to interact, engage and learn from each other in an open-plan office setting. We are cognisant of the need to avoid "group-think" and promote a culture where opposing views can be expressed without fear. Listening to and interrogating discordant perspectives results in richer and deeper analysis and, ultimately, better outcomes for our clients.

Our commitment to diversity is demonstrated by our diverse staff complement across every level of business, from our board of directors to our interns. While our gender and ethnic diversity statistics are outcomes of our culture and approach and not goals in themselves, they

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 29% employee owned, and staff are encouraged to act and think like owners, resulting in accountability to each other for delivering their best work.

Team-based

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

Performance-driven meritocracy

We encourage and reward exceptional performance, creating an environment where people are motivated to grow and contribute to the success of the business.

Integrity matters

We have a duty to our clients to act with uncompromising integrity and apply the highest ethical standards to everything that we do.

Clients first

As an independent third-party manager without tied assets, we know that without clients, we have no business. We place clients first in everything we do. We view success in terms of the value we create for clients over time, the quality of our client relationships and the tenure of our clients.

Long-term thinking

In every investment and business decision we make, we consider the long-term outcome.

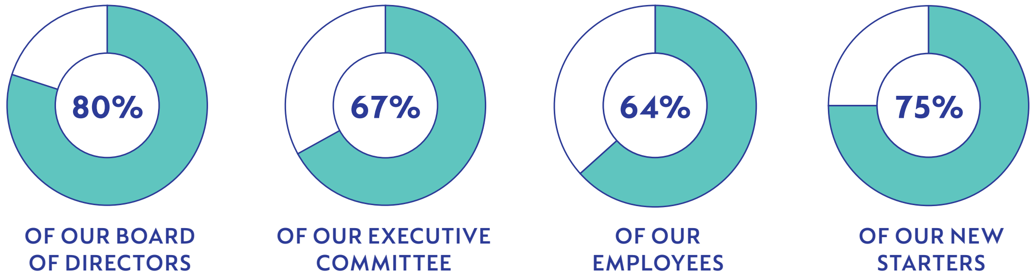
provide a lens into the extent of diversity within our workforce. Our employees span gender, ethnic, language, religious and socioeconomic backgrounds across a wide range of academic and professional qualifications. In order to sustain and enhance the diverse nature of the business, we focus on providing opportunities to top young talent (Figure 4).

Coronation's commitment spans beyond the company and includes a commitment to contribute to improved diversity, equity and inclusion in the broader industry and in our communities. Throughout our history, we have actively driven industry-wide transformation across a range of 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 (2001).
- Creating the Imvula Trust to provide 182 black employees with meaningful and direct ownership in Coronation by transferring ownership of 10% of Coronation's shares, equating to R1.1 billion at today's market capitalisation[6] (2005).
- Establishing and running a programme to facilitate the growth of emerging black stock-brokers (2006).
- Co-sponsoring ASISA's Independent Financial Adviser (IFA) Development Programme, which provides business development support and skills training to black IFAs (2016). Since inception, it has trained 203 black IFA businesses and created internship opportunities for 181 individuals, 116 of whom have been absorbed into the practices.
- 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. Coronation is responsible for the participants' salaries and training costs, and our partners provide hands-on mentorship and on-the-job-training.

FIGURE 4: DIVERSITY AT CORONATION

Black individuals represent:



[6] *As at 31 March 2024*

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. Because education lies at the heart of breaking the cycle of poverty in South Africa, 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 CHILDHOOD DEVELOPMENT
Early Learning Resource Unit: Building the capacity of primary caregivers, expanding the skills of educators and improving early nutrition.

TRAINING THE EDUCATORS
South African Education Project: Providing much-needed training and support to early learning educators.

Primary School

NUMERACY
Counting with Coronation: Providing mathematics training to teachers in impoverished communities.

LITERACY
Coronation Reading Adventure Rooms: Equipping schools with reading rooms and books and facilitating teacher and learner interaction to improve reading skills.

SUPPORT FOR HEARING-IMPAIRED LEARNERS
Carel du Toit Centre: The centre provides quality education and health services for children with hearing loss. Children are provided with specialised equipment and supported by expert teachers, staff and remedial therapists.

Supporting Educators & Parents

PRINCIPALS ACADEMY TRUST
Coaching and mentoring: Providing school principals in underprivileged areas with weekly coaching and mentoring by retired school principals.

CONSUMER FINANCIAL EDUCATION
Empowering South African adults, including parents, teachers and principals, with financial skills and knowledge to enable them to make informed decisions.

COMMUNITY ACTION PARTNERSHIP
Workshops to provide parents with the skills they need to support their children with their school-work and build parent-teacher relationships.

FUTURE LEADERS PROGRAMME
Hands-on teaching experience for novice teachers under the supervision of experienced teachers.

Tertiary Education

STUDENT BURSARIES
Coronation Exceptional Students Programme: Full tertiary bursaries to study at any recognised public university in South Africa.

GRADUATE INTERNSHIPS
Brilliant Minds Graduate Programme: Our intern-ships offer graduates the opportunity to gain real work experience as well as training and develop-ment opportunities.

Developing Entrepreneurs

GROWING ENTREPRENEURS
Entrepreneurship and food security are both pressing issues. This initiative trains emerging farmers in good governance and the business skills they need to grow thriving local produce businesses.

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

>300 000
Learners

>9 800
Educators benefited from training

>250
Students were awarded study opportunities

5 837
Small-scale farmers

>500
Schools

121 420
Adults received consumer financial education training

Getting involved

To honour the special milestone of our 30th birthday, we chose to pay tribute to our clients, staff and other stakeholders by donating to a cause that is close to our hearts.

In recognition of the indispensable role that partnerships with our clients have played in shaping our path over these three decades, we donated R750 000 to the Children's Hospital Trust, a key sponsor of one of South Africa's most established and beloved charities, the Red Cross War Memorial Children's Hospital. The donation has been directed towards a new orthopedic unit at the Red Cross. Chantel Cooper, CEO of the Trust, was present at our celebration in August to convey the Trust's heartfelt thanks. +

Chantel Cooper, CEO of the Children's Hospital Trust, at our 30th birthday conference.

Client focus

As an independent third-party manager without tied assets, we know that without clients, we have no business. Our dedicated client service fund managers provide world-class service, developing meaningful relationships with our clients while offering regular updates on portfolio performance and sharing our latest views. We also seek clients' feedback through channels such as our annual ESG survey, we distribute regular thought leadership content, and we interact with clients at our various thought leadership conferences.

ESG client survey

In 2023, we once again conducted our annual ESG client survey in order to gauge the engagement priorities of our institutional clients. This valuable feedback helps us to align our engagement agenda more effectively with the needs and expectations of our clients.

As shown in Figure 7, water security emerged as the most concerning environmental issue for clients, with 78% of respondents indicating that this should be prioritised by investors in 2024. Pollution and waste is another key concern (71%).

With regard to social matters, cyber security and data privacy (67%) and labour practices (59%) are top of mind for our clients, while one of the most pressing governance issues is board structure (84%).

We also surveyed the extent to which our clients were considering or committed to achieving net zero by 2050 within their portfolios. As shown in Figure 5, 46% of our clients indicated that they have not made a commitment to net zero and have no plans to make such a commitment. Another 44% are investigating what making a net zero commitment will mean for their investment portfolios. Furthermore, 24% indicated that they apply exclusions to investments based on ESG considerations or are in the process of considering exclusions (Figure 6). Controversial weapons, new coal-fired power stations and gambling are among the exclusions.

ESG survey insight

FIGURE 5: CLIENTS' RESPONSE TO NET ZERO

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

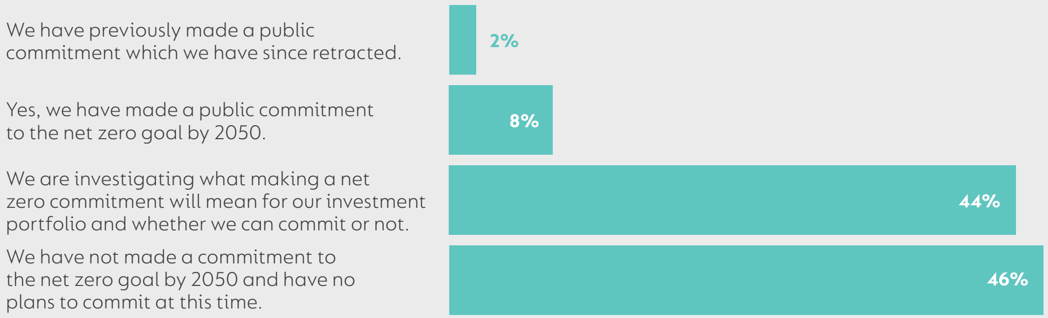
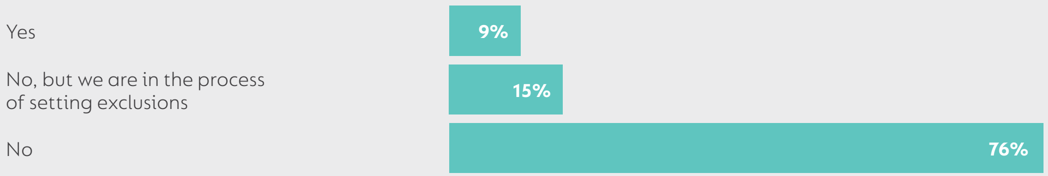


FIGURE 6: ESG EXCLUSIONS

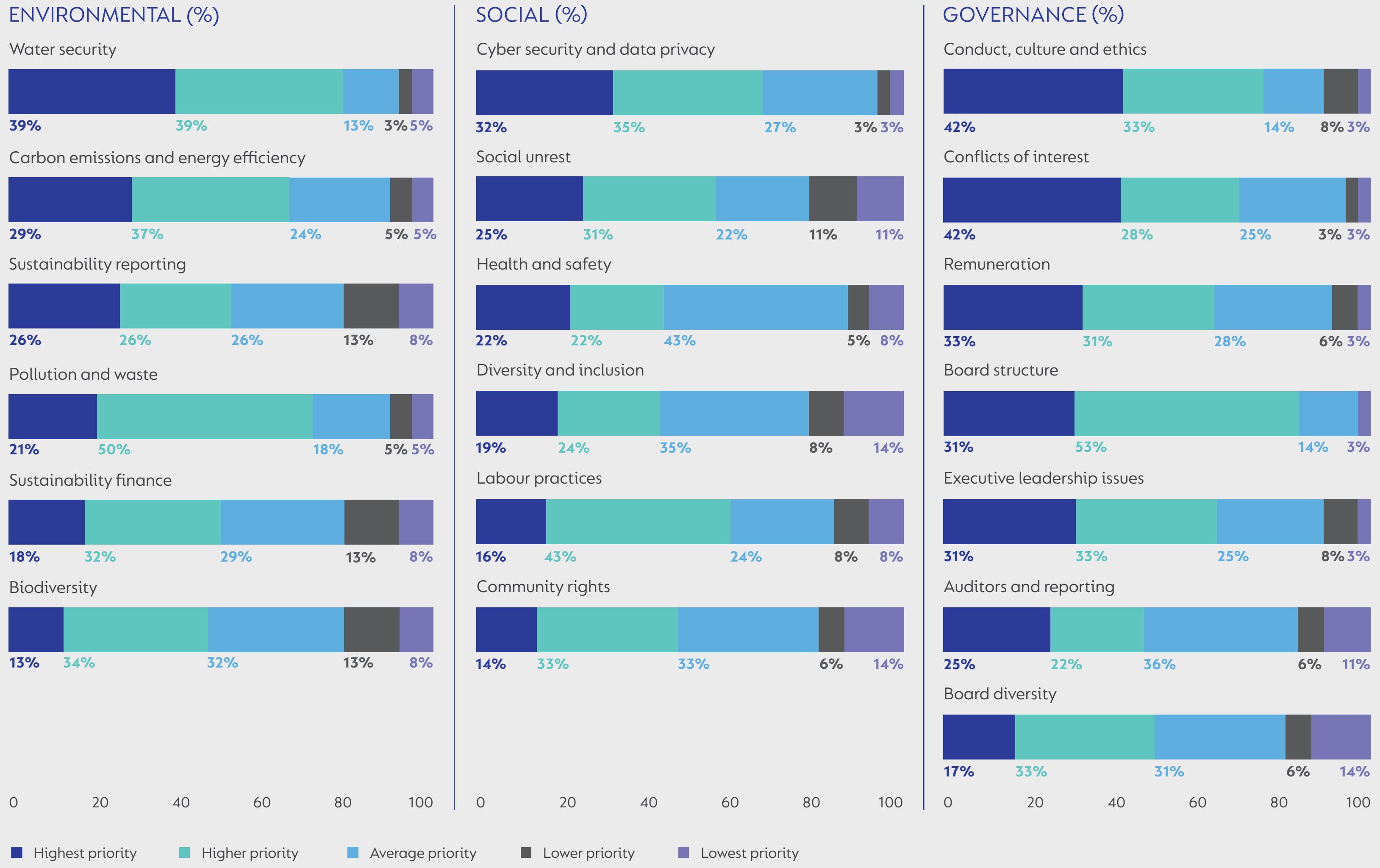
Does your organisation apply any exclusions to investments based on ESG considerations?



ESG survey insight:

FIGURE 7: ENGAGEMENT PRIORITIES

Which of the following topics do you think should be prioritised by investors in 2023?



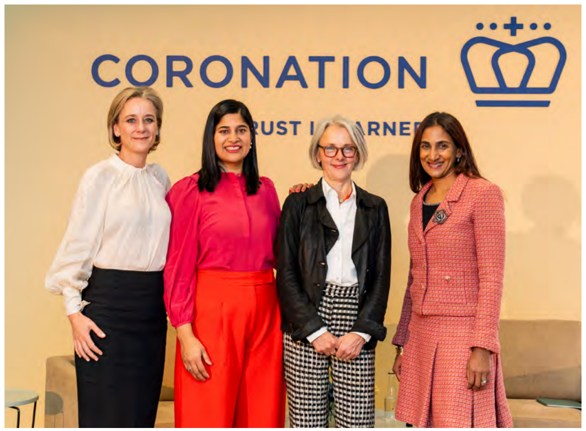
Values may not sum to 100% due to rounding

Client conferences

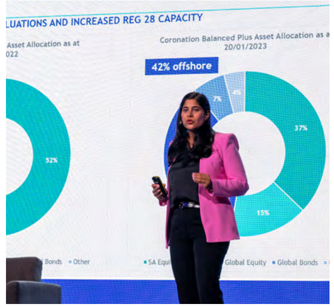
In 2023, we hosted three thought leadership conferences where we interacted with institutional clients and shared extensive insights and thought leadership on markets and our investment strategies. In January, we held our well-attended Talking Investments conference in Johannesburg and Cape Town. In August, we hosted our popular Women's Day event, inviting promising female learners to join seasoned investment professionals for an inspiring breakfast conference. We also celebrated our 30th birthday with a client conference featuring presentations by various professionals in our business as well as industry experts. The highlight of our 30th birthday conference proved to be the CIO panel, where current and former CIOs had a candid discussion about the market and the environment during their respective tenures. All are still active members of the Coronation investment team. +

Sharing insights at our 30th birthday conference

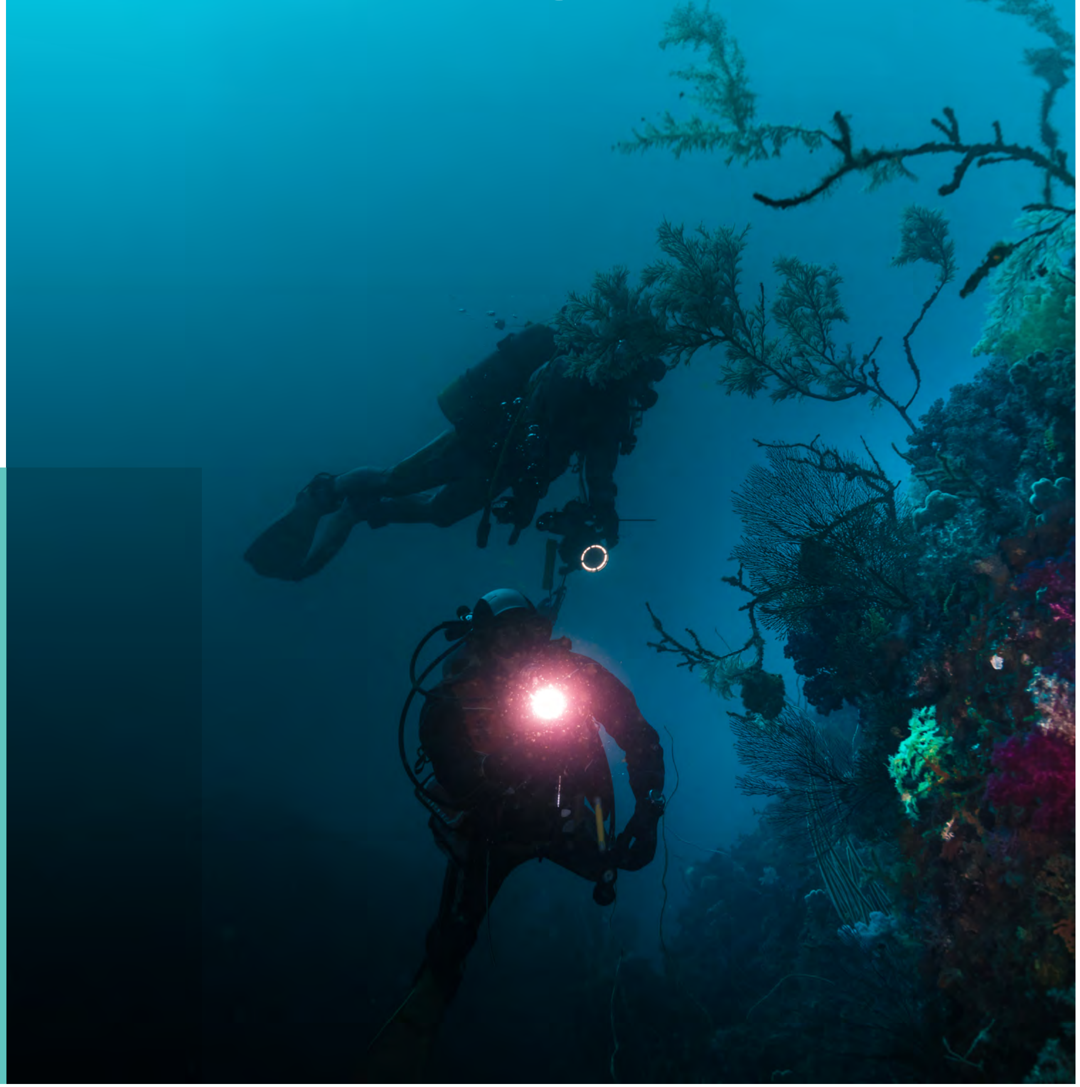
Hosting an inspiring Women's Day breakfast



Engaging with clients at TI2023



Engagement and proxy voting



As long-term investors and committed stewards of our clients' capital, our approach to stewardship is rooted in understanding and valuing the long-term prospects of every business that we analyse. This requires us to develop a comprehensive view of all factors influencing a company's long-term sustainability. Our research goes beyond traditional financial metrics to encompass all factors that materially affect a business' sustainability, including environmental, social and governance practices as well as a company's overall strategic direction.

Through our holistic approach, we identify issues that require closer scrutiny and engagement.

In 2023, we had over 1 500 engagements with more than 470 companies (Figure 8). 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. More than 80% of these engagements were focused on understanding how factors such as corporate strategy, financial performance, and risk management impact long-term prospects and viability. Additionally, 337 of these engagements related to specific environment, social and governance issues (Figure 11).

We recognise the importance of reporting on engagement activities in order to provide our clients with insight and transparency into our engagements. With this report, we aim to provide insight into the details of our engagements on specifically environmental, governance and social issues.

2023 Engagement record

FIGURE 8: TOTAL SUSTAINABILITY ENGAGEMENTS IN 2023

FIGURE 9: MULTI-YEAR ENGAGEMENTS

28

NUMBER OF COMPANIES ENGAGED IN EACH OF THE PAST FIVE YEARS

FIGURE 10

22%

OF ESG ENGAGEMENTS WERE WITH THE CEO OR CHAIR

FIGURE 11: SPECIFIC ESG ENGAGEMENTS IN 2023

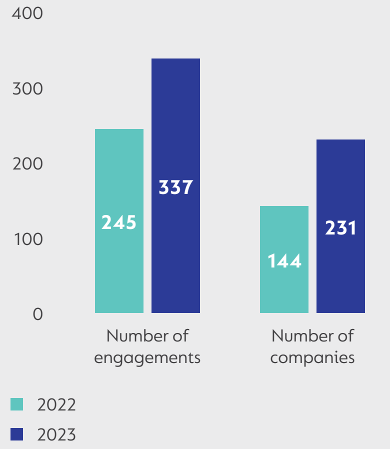


FIGURE 12: ESG ENGAGEMENTS BY CATEGORY

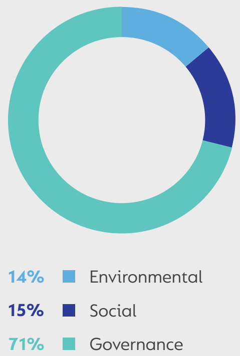


FIGURE 13: THEMATIC VS COMPANY-SPECIFIC ENGAGEMENTS

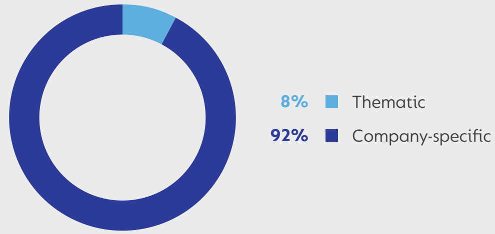
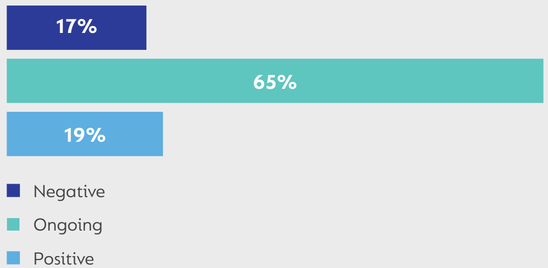
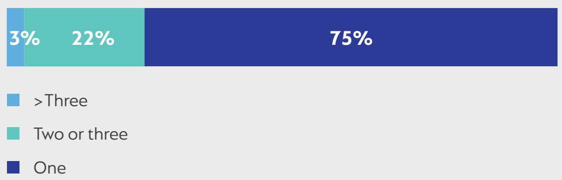


FIGURE 14: OUTCOME OF ENGAGEMENTS WITH CHANGE OBJECTIVES



24% of our engagements had change objectives

FIGURE 15: NUMBER OF INTERACTIONS WITH A COMPANY



Values may not sum to 100% due to rounding

Inside our numbers

As with prior years, our engagement activity was driven by a combination of thematic engagements and company-specific engagements (Figure 13).

Thematic engagements are projects that we identify in advance where we aim to 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.

As a bottom-up research-driven investment manager, most of our engagements are company-specific. The split between thematic- and company-specific engagements differs year-on-year depending on the number of thematic projects undertaken in a particular year, and the number of companies included within the scope of each project.

In 2023, 92% of our engagements were company-specific. Our thematic projects spanned a range of issues, including evaluating plastic usage within the value chains of South African food retailers (read more on page 32), assessing digital rights at financial services and technology companies in emerging markets (page 43), understanding water risk (page 29) in our South African investment universe and continuing to engage on the Taskforce on Climate-related Financial Disclosures (page 28).

We classify engagements into three categories:

- **Engagements for change:** purposeful, targeted engagements with the goal of encouraging change. The outcomes of these engagements for change are classified as either positive, ongoing or negative.
- **Information gathering:** engagements to collect information to deepen our understanding of relevant ESG risks and opportunities, as well as the strategy, risk management and financial performance of a company.
- **Voting:** in line with our voting policy, we engage with the companies where we have voted against a particular resolution to notify them of this fact and the related reasons.

19% of our engagements for change had positive outcomes in 2023, while 65% are ongoing (Figure 14). This is expected and reflects the multi-year nature of many of our engagements and our commitment to engage in a constructive manner to address the underlying issues that we have identified. Enacting meaningful change also often requires multiple engagements with a single company (Figure 15). In 2023, we had more than three interactions with 3% of the companies with which we engaged, and between two to three interactions with 22% of the companies with which we engaged.

Our voting record

In 2023, we voted on 7 321 resolutions at 581 meetings (Figure 16). Our voting activity extended across all of the regions in which we invest. As a company with a 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 17).

In our experience, constructive, pre-emptive engagement is preferable to formulaic voting, as this allows for the matter to be dealt with and possibly resolved before the vote. However, where matters are unresolved or not resolved to satisfaction, we will cast a dissenting vote. Of the 581 meetings at which we voted, we cast at least one dissenting vote at 275 (47%) of these meetings (Figure 16). 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 (58% of meetings, Figure 22).

Most dissenting votes were cast on board structure (35%), followed by capital structure (31%) (Figure 18). Figure 19 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. As expected, 22% of our votes against management proposals related to capital structure. A large proportion of these related to blanket authorities to issue shares generally and unconditionally. The number of dissenting votes on board structure was, to a significant extent, driven by the complex voting systems that are used in Russia and Brazil, where the workings of these countries' voting systems result in a large number of dissenting votes being cast when candidates are elected to the board.

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Client focus
Engagement and proxy voting
Addressing environmental challenges
Navigating climate risk
Digital rights
Building a better society
Effective board leadership
Excellence in governance
Advocacy
Looking ahead
Appendix

Notably, 7% of our votes against management related to remuneration. The main reasons for voting against the remuneration policies were:

- The targets set by the company were considered to be insufficient to align remuneration to the creation of shareholder value.
- Inappropriate short-term and long-term incentives.
- Inappropriate application of the company's remuneration policy.
- Failure to consider our prior recommendations
- The remuneration amount was considered excessive and not reflective of the value and contribution.

Resolutions on auditors attracted 7% of votes against management. This is explained by our audit firm rotation policy, which stipulates that we do not support audit firms serving a term longer than 10 years.

The topics that received the most dissenting votes varied across regions. In South Africa, issues relating to capital structure received the most dissenting votes. As in prior years, a large proportion of these related to requests by boards for blanket authorities to issue shares generally and unconditionally (Figure 21).

In other markets, the bulk of dissenting votes were against board-related proposals. In emerging markets, this was predominantly because of the complex voting systems in countries such as Brazil and Russia, which result in a large number of dissenting votes when candidates are elected to the board.

2023 Proxy voting record

FIGURE 16

DURING THE YEAR, WE VOTED ON

7 321 Resolutions at **581** Meetings

HOW WE VOTED:

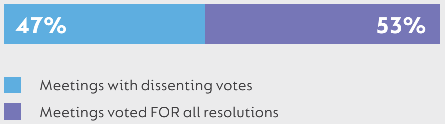


FIGURE 17: RESOLUTIONS BY REGION

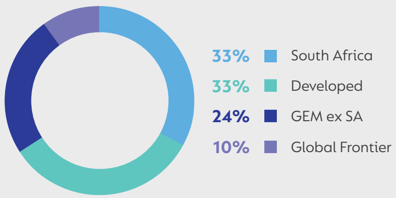


FIGURE 18: BREAKDOWN OF DISSENTING VOTES

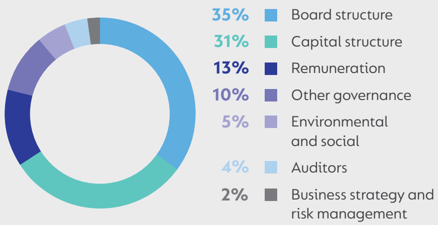


FIGURE 19: DISSENTING VOTES AS A PERCENTAGE OF TOTAL VOTES

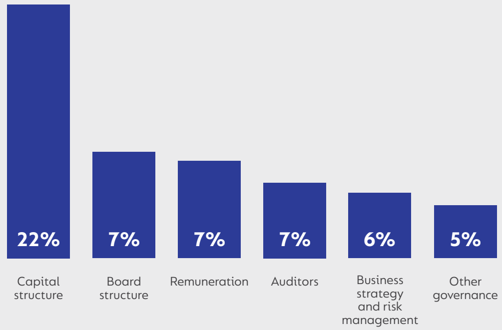
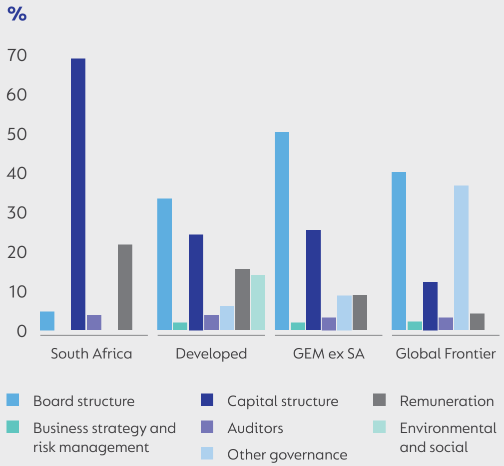


FIGURE 20: DISSENTING VOTES PER REGION



Voting statistics by region

FIGURE 21: SOUTH AFRICA

WE VOTED ON:

2 440 Resolutions at **146** Meetings

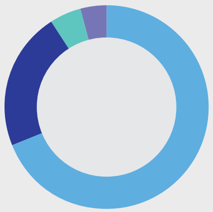
74 Meetings with dissenting votes

HOW WE VOTED:

51% | 49%

- Meetings with dissenting votes
- Meetings voted FOR all resolutions

BREAKDOWN OF DISSENTING VOTES



- 69% Capital structure
- 22% Remuneration
- 5% Board structure
- 4% Auditors

FIGURE 22: DEVELOPED MARKETS

WE VOTED ON:

2 377 Resolutions at **153** Meetings

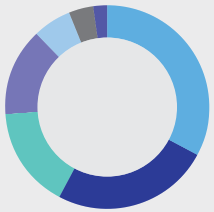
89 Meetings with dissenting votes

HOW WE VOTED:

58% | 42%

- Meetings with dissenting votes
- Meetings voted FOR all resolutions

BREAKDOWN OF DISSENTING VOTES



- 33% Board structure
- 25% Capital structure
- 16% Remuneration
- 14% Environmental and social
- 6% Other governance
- 4% Auditors
- 2% Business strategy and risk management

FIGURE 23: EMERGING MARKETS (EX SA)

WE VOTED ON:

1 776 Resolutions at **193** Meetings

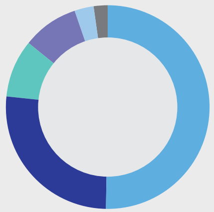
73 Meetings with dissenting votes

HOW WE VOTED:

38% | 62%

- Meetings with dissenting votes
- Meetings voted FOR all resolutions

BREAKDOWN OF DISSENTING VOTES



- 50% Board structure
- 26% Capital structure
- 9% Remuneration
- 9% Other governance
- 3% Auditors
- 2% Business strategy and risk management

FIGURE 24: GLOBAL FRONTIER MARKETS

WE VOTED ON:

728 Resolutions at **89** Meetings

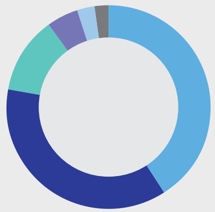
39 Meetings with dissenting votes

HOW WE VOTED:

44% | 56%

- Meetings with dissenting votes
- Meetings voted FOR all resolutions

BREAKDOWN OF DISSENTING VOTES



- 41% Board structure
- 37% Other governance
- 12% Capital structure
- 5% Remuneration
- 3% Auditors
- 2% Business strategy and risk management

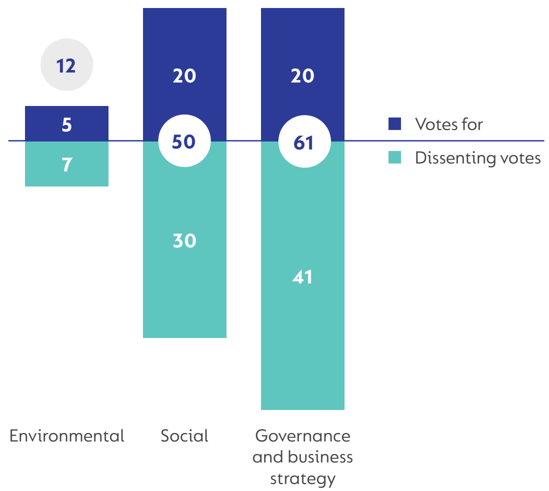
Values may not sum to 100% due to rounding

In our Frontier Market portfolios, a large proportion of our dissenting votes were generally in respect of matters where the company provided insufficient information in relation to an issue to enable us to make an informed vote. In addition, many votes were against requests for blanket authority to approve any additional matters that may only be raised at an AGM.

Shareholder proposals

In 2023, we voted on 123 shareholder proposals, for which we voted in favour of 45 and against 78 (Figure 22). Shareholders raised various issues during the year, with a general increase in activity levels across environmental, social and governance factors. While we saw a decrease in the number of shareholder proposals, several US companies, including Amazon (18), Alphabet (13), Meta Platforms (11), and Microsoft (9), among others, continue to attract a large number of shareholder proposals. These proposals addressed various issues from climate and tax transparency to gender/racial equity pay gaps, and digital rights. Due to the inadequate quality of numerous proposals and the ongoing improvement in companies' disclosures and practices, we chose not to support many shareholder proposals, with our support falling from 55% in 2022 to 37% in 2023.

FIGURE 25: SHAREHOLDER PROPOSALS



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 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 2023 that are directly linked to an SDG. +

Addressing environmental challenges

Amidst escalating environmental and climate challenges, our efforts to engage with companies on these matters intensified, with our focus being on material issues that could significantly influence the long-term value of a company. For our investee companies, the urgent need to reduce emissions and enhance energy efficiency is paramount. These priorities are particularly important against the backdrop of rising climate risks, both physical and transitional, as well as growing concerns over energy security. Consequently, nearly half of our environmental engagements in 2023 focused on reducing emissions and improving energy efficiency (Figure 26).

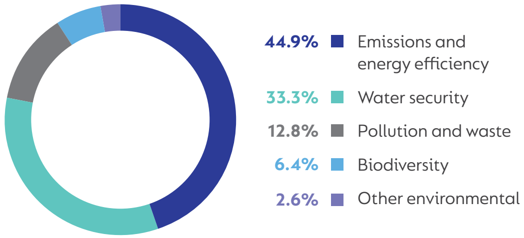
Water security was also a key focal point of our engagement efforts in 2023, particularly among South African companies. Our ongoing thematic project on water security is detailed on page 29. A third of our environmental engagements were directed towards this vital issue.

Over the course of the year, we also actively engaged on a range of other environmental concerns, including pollution, waste management and biodiversity.

Emissions and energy efficiency

In our engagements on emissions and energy efficiency, one of the important subtopics that we addressed related to the capital investments required for businesses to transition towards lower carbon operations. Recognising that each business faces unique pathways to decarbonisation, we carefully consider the capital intensity

FIGURE 26: ENGAGEMENT THEME – ENVIRONMENTAL



of these transitions when we determine the long-term fair value of a company. For example, we engaged with the consumer goods company Reckitt Benckiser during the year to understand the adequacy of their capital expenditure plans in meeting their long-term sustainability and emission reduction targets. This stemmed from our observation that peers in similar sectors had earmarked more substantial investments over the medium term to achieve these objectives. The company acknowledged the need to consider this issue further.

Climate change can also impact company earnings through carbon taxes. We engage with companies to understand their expectations for the evolution of carbon taxes in their regions of operation, potential regulatory exemptions, as well as each company's projected emissions trajectory and the consequent impact on their future tax liabilities. During the year, we engaged with Glencore to request improved disclosure on carbon tax and whether they are impacted by the carbon border adjustment mechanism – a tax embedded in certain imported products in the EU. Their response was that they did not expect material impacts from these but would endeavour to improve disclosure related to these issues. We will monitor their future disclosure and will continue to engage, as required, to request further detail so that we have adequate information for ESG integration.

Furthermore, Glencore has announced their intention to demerge their coal business pending shareholder approval. Consistent with our previous engagement on coal divestment we will not support the resolution. We advocate for companies with high-carbon assets to pursue a strategy of responsible wind down, rather than selling the assets to unlisted entities, which often results in decreased transparency and accountability. Over the years, we have consistently engaged with coal miners, urging them to wind their coal assets down in a responsible fashion; a strategy we deem more effective in driving real world change than merely shuffling them out of sight from listed portfolios. We don't support greenfield thermal coal projects, due to the heightened risk of stranded assets from capital allocated to new mines.

As one of the largest emitters in South Africa, we engaged with Sasol seven times over the course of 2023 to address a range of climate-related concerns. Topics discussed include providing more clarity to the market regarding how they will achieve their emissions reduction targets for 2030 and 2050. We also discussed the impact of carbon taxes and the carbon border adjustment mechanism, as well as seeking clarity on their ongoing court case related to non-compliance with sulphur dioxide emissions regulations and how this impacts their strategy and production. While we received additional detail on a number of our requests, we are committed to ongoing engagement with Sasol on their climate strategy and disclosure into the foreseeable future as climate change poses an existential threat to their business that we need to incorporate into our valuation assessment. Moreover, advocating for them to align with an orderly and just transition is crucial to mitigate adverse impacts for their extensive network of stakeholders.

Supply chain management and scope 3 emissions are increasingly in the spotlight for stakeholders, and we engaged with companies to understand both reporting and strategies for scope 3 emissions reduction. Scope 3 is more difficult to report on and requires greater scrutiny around completeness and accuracy of reported numbers. In 2023, we continued to engage with Amazon about the completeness of their reported scope 3 figures (see case study on page 40.)

We also engaged with the online travel agency Expedia to enquire about their strategy to reduce emissions, including those from suppliers. The company outlined their goal of having 75% of their third-party suppliers setting science-based targets by 2028, covering 75% of their scope 3 emissions. Given their limited degree of influence over their suppliers, we regard this as a reasonable medium-term scope 3 target. We will continue to monitor their progress towards this target.

Sasol Limited

Proposal:
Approval of decarbonisation pathway and climate change report consistency with TCFD

Our vote:
Supported management

Significant vote

Sasol's journey towards a lower carbon footprint is complex and will be very path-dependent. It will be influenced by a range of factors, including regulatory environments, global commodity prices, exchange rate fluctuations and the availability of cost-effective alternative inputs for their operations in South Africa. These elements, coupled with financial considerations, will influence their path to reaching their goal of reducing their scope 1 and 2 greenhouse gas emission targets by 30% by 2030.

Our engagement strategy with Sasol is informed by an understanding of the complexities of their situation and the necessity for Sasol to reduce its emissions. We think the most appropriate manner to ensure progress is to continue our intensive engagement with the Board and management team.

In 2023, we had seven in-depth discussions with Sasol's board and management. We engaged with the board on AGM resolutions and, while acknowledging their progress to date, shared our view that the climate change report (CCR) lacked sufficient detail on how Sasol would achieve its 2030 goals. We continue to engage with the Board and management on their plans to reach their 2030 goals, with more information forthcoming during 2023. In their latest Capital Markets Day, the management team provided further details about the investment required to source renewable energy, shut down boilers and source additional gas. These are all critical steps towards achieving their 2030 goal. While we were encouraged by the additional disclosure, we will continue to engage to ensure that they have credible plans in place to decarbonise their operations.

Significance: Sasol is a systemically important company in South Africa. Sasol is South Africa's second largest carbon emitter after Eskom and is a significant employer in the South African economy, with a workforce of more than 29 000 and very significant up and down stream impacts on many other South African businesses.

For many companies, scope 2 emissions represent a significant portion of their carbon footprint. This can be reduced by improving energy efficiency or transitioning to renewable energy sources. Discussions with companies include engaging to understand where they are in their renewables transition journey. An example of this is our discussion with Northam Platinum, where they briefed us on upcoming renewable energy initiatives and some of the regulatory hurdles they face in advancing these projects. We also had a call with Pan African Resources where they updated us on pending and planned projects and provided an estimate of reduced reliance on the national grid by 2030. In the context of energy security risks in South Africa, this is particularly pertinent.

Decarbonisation strategies vary significantly across sectors. We endeavour to understand how companies have incorporated decarbonisation plans for operational emissions from a company's activities (scope 1 and 2 emissions) as well as other indirect emissions by other stakeholders in the value chain (scope 3), where relevant. For financial services companies, for example, the most significant emissions are from their supply chain, over which they have limited control. However, financial institutions can contribute to decarbonisation by directing new capital to appropriate projects. We hosted a call with HDFC Bank during 2023 to understand how ESG and climate are integrated into their lending book, as well as some challenges with a low carbon transition as a bank operating in an emerging market environment. (See case study on page 26.)

The climate-related targets set by a company guide their overall climate strategy, and we have engaged with several companies over the years on such targets. Examples include a call with Glencore in 2023 to understand whether they plan to ratchet up ambition on their 2026 reduction target, given that they have already made significant progress toward this. They responded that their pathway is not linear and while they are on track to meet the target, the remaining reduction required to reach their short-term target was challenging and would require significant effort to achieve. We will continue to engage with Glencore on various aspects of their climate strategy to advocate for a robust and sufficiently ambitious plan.

Similarly, our engagement with the American petroleum company Ovintiv addressed the achievement of their methane intensity reduction target ahead of their 2025 goal, with the company confirming that they are now focusing on an overall greenhouse gas intensity target by 2030. When questioned whether they should adopt a more ambitious reduction target, Ovintiv clarified that they have harvested most of the "low hanging fruit", and that the projects that are scheduled towards the latter part of the decade are currently economically unfeasible. They expect the costs to come down as the technology improves over time. We will continue to monitor their progress against their stated targets.

Disclosure on climate governance, strategies, risk management, and metrics and targets are important information that enable investors to assess a company's progress, both individually and at a portfolio level. We have engaged over a number of years to request better, more consistent ESG disclosure, in particular climate disclosure from our investee companies. (See our case study on page 28.)

Total Energies SE

Proposal:
An advisory vote asking the company to align indirect scope 3 emissions with the Paris Climate Agreement. The resolution raises the issue of the scope 3 target for 2030

Our vote:
Supported management

Significant vote

When evaluating Total's scope 3 emissions, it is important to recognise that a substantial 86% originates from the emissions generated by their sold products (mainly petroleum products and gas). Understandably, their reduction strategy homes in on this segment to effect meaningful change.

Their target is to limit sold product emissions to under 400 Mt CO_2e by 2030. Although this represents a fairly modest reduction of 2% from 2015, the approach to reach these targets needs to be considered as well.

To achieve the target, they aim to reduce emissions from petroleum products by 30% by 2025 and 40% by 2030, based on 2015 levels. This marks a notable shift away from emissions from petroleum. However, Total is expected to increase its gas production during this time, which will increase absolute gas-related emissions.

This increase in gas production aligns with the growing demand from gas, driven by its role as a transition fuel that can replace electricity production from coal, with several countries expected to use gas to phase down coal for power generation in order to meet their 2030 emissions reduction targets. Therefore, despite the modest decrease in emissions from sold products, Total is contributing to global emissions reduction.

Water security

Water scarcity poses significant risks to business continuity, influenced by the changing climate and regional challenges that impact both the quality and quantity of available water.

Given the degree to which the lack of access to water can impact a company's operations, we have prioritised water security as a thematic area of focus for our South African companies and engaged with a number of corporates on this topic during the year. This thematic project continues in 2024. (See case study on page 29.)

Beyond our thematic project, we engaged with the pharmaceutical company Aspen to understand how loadshedding and electricity intermittency could affect their access to water, as water is a key input into their manufacturing operations. From our interactions with and research on the company we are satisfied that water preservation is a key focus area for Aspen. Their primary source of water is municipal water. They have improved their water management practices, including initiatives such as water recycling and reverse osmosis. These interventions are evident in Aspen's water consumption, which has steadily decreased over the past five years notwithstanding the increase in production volume.

Plastic waste is also a major contributor to climate change and pollution, and we therefore engaged with several companies on this in 2023.

We also engaged with Impala to understand the infrastructural challenges they have faced in some municipalities, where they have had to assume responsibility for managing water infrastructure from local government. We incorporate this into our assessment of the company's risk profile by factoring in higher cost inflation at mining assets compared to other companies in South Africa. This adjustment is also influenced by higher electricity costs, which compound in double digits as well. The more mining companies have to provide services for the local region, the higher their cost base. This is, however, still a relatively small component of total costs.

Pollution and waste

Our waste and pollution engagements in 2023 revolved around two broad areas: combating food waste and reducing plastic pollution. Recognising that food waste is a contributor to global hunger and climate change, we advocate for collaborative efforts to address the issue comprehensively. We identified the Consumer Goods Council of South Africa's Food Loss and Waste Initiative as an appropriate collaborative effort to support. This is a voluntary agreement aimed at:

- Cutting food waste by 50% by 2030.
- Adopting the food utilisation hierarchy. This hierarchy prioritises increased food utilisation and the reduction of food and beverage waste. The second priority in this hierarchy is redistributing edible, nutritious surplus food for human consumption, and the creation of secondary markets for surplus food and beverages, taking food safety into account.
- Providing annual updates on activities and progress.

This initiative fosters information sharing through various working groups. As this is a complex issue, collective solutions can help improve the quality and speed of solutions.

In 2023, we approached one company, urging them to consider joining the initiative. However, they expressed skepticism about the benefits, citing minimal food waste in their operations, as most occur at people's homes, and highlighting that their waste is documented in their integrated report in line with best practice. We will continue these engagements with other relevant companies in 2024.

Plastic waste is also a major contributor to climate change and pollution, and we therefore engaged with several companies on this in 2023, both as a coordinated project with South African food retailers as well as specific bottom-up engagements with companies.

In our discussion with Reckitt Benckiser, they provided us with an update on their strategy to reduce virgin plastics (plastics that have been produced directly from petrochemical raw materials, rather than recycled from other sources) in their packaging and their related targets. We also had a call with the Japanese beauty company Shiseido, where they highlighted that plastic reduction is an area of focus for them. They are trying to transition to refillable packaging and aim to reduce plastic packaging in their processes by 70-80%. Given the environmental and social impact of plastic pollution we are supportive of our investee companies setting plastic reduction targets.

Amazon

Proposal:
Report on efforts to reduce plastic use

Our vote:
Against management

Significant vote

Shareholders would benefit from a deeper insight into how the company is managing risks related to the creation of plastic waste. We currently lack a comprehensive understanding of the baseline or the company's strategy for reduction. Without transparency on total plastic usage, we cannot fully grasp the scope of the problem or associated risks. Providing their own reported figure with a transparent methodology would not only clarify the extent of its plastic usage, but also counter potentially exaggerated third-party claims.

By setting specific reduction targets, Amazon would signal its commitment to managing plastic waste and facilitate accountability over time. Given our previous correspondence on emissions, it's crucial to monitor their environmental stewardship messaging to ensure that it accurately reflects their impact. (For more on our collaborative engagements on Amazon's emissions reporting, refer to page 40.)

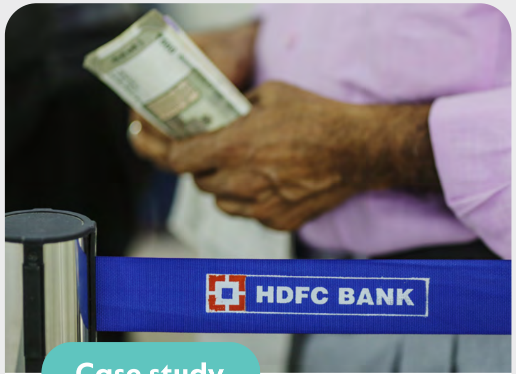
Significance: Within the South African context, one of our priorities for 2023 was to engage with food retailers to promote a reduction in plastic usage. This aligns well with our thematic project on reducing plastics in the food retail value chain (see page 32) and presents an opportunity to advocate for meaningful environmental impact.

We also continued our thematic focus on the reduction of plastics in the value chain at South African food retailers.

Biodiversity and other environmental issues

We have engaged on biodiversity where businesses faced localised risk. In 2023, one of our discussions included understanding a mining company's responsibility and impact, ensuring that their operations do not disrupt an endangered plant species through their mining activities and ensuring that they adhered to the related environmental legislation. Additionally, we engaged with a coffee producer about sustainable coffee sourcing and third-party verification thereof, as well as the impact of changing deforestation regulations on their capital expenditure. We also engaged with a cosmetics company about palm oil traceability targets, which aim to ensure transparency and accountability throughout their palm oil supply chain. We will continue monitoring our investee companies' material impacts on biodiversity and advocate for improvements where necessary.

Finally, we engaged with a mining company to understand how the increase in extreme weather-related events will impact future production and urged them to be cautious in setting production targets given the potential impacts. They were receptive and had already lowered their medium-term guidance for coal to build in a buffer for more climate-related incidents.



Case study

Integrating sustainability factors into valuations

COMPANY
HDFC BANK

REGION
INDIA

ACTION
MEETINGS

Issue

Companies are facing mounting pressure to expand their sustainability strategies beyond internal operations by considering material risks and opportunities throughout their value chain.

Banks wield significant influence on sustainability efforts both by financing solutions and by advocating for responsible management within their borrowers' operations. As more data and methodologies become available and public demand for corporates to address climate risk grows, we see pressure on banks to integrate sustainability assessments into their lending processes.

HDFC Bank is one of the companies in our investment universe for which we include an ESG premium in the valuation model. The premium has been in place for several years. Given the dynamic nature of ESG considerations, it is important to reassess our thesis periodically (as we do in any investment case) in order to confirm our ESG valuation impact. We recently reviewed HDFC Bank's disclosures and engaged with the company to clarify their practices and assess the continued appropriateness of the ESG premium. HDFC Bank is the largest private sector bank in India with approximately 12% of the market (by assets).

While cultivating a sustainable economy is critical, there are several complexities to consider for the path there. These are heightened in the context of banks that operate in an emerging market setting. Solving many of the pressing environmental issues needs to be balanced with nuanced social considerations including energy security, inequality, poverty, unemployment, existing dependence on fossil fuels and access to finance for renewable energy initiatives.

Action

We examined the ESG disclosures within HDFC Bank's annual report and relevant policies on their website to gain insight into their processes and risk exposures. We requested a meeting to obtain clarity on some of our residual questions and in a call with the Head of ESG-Sustainability we gained the following insight:

They had recently strengthened the ESG aspects of their due diligence process. We requested further details to understand how this made their processes more robust.

- They have a detailed template which includes questions on climate risk as part of their borrower due diligence. This was enhanced in 2023 to include more comprehensive questions on ESG and climate exposure.
- They have different types of assessments for different types of borrowers and have adopted their new, more comprehensive template in 2023. They started with the larger corporate borrowers and are working their way toward 100% being subject to these checks.
- In 2023, they implemented a new ESG risk management policy for the credit process which was approved at board level and replaced the less formal, older policy. This is encouraging as it shows a commitment to ESG governance at the highest level of the company and shows the bank's willingness to adapt in an evolving space.

We sought clarification on the emissions targets set by the bank. As there are varied views on the topic of portfolio emission reduction targets, we wanted to gain insight into HDFC Bank's stance on the matter.

- They have set a net zero target for scope 1 and 2 emissions by 2032 and have interim targets in place to reach this goal.

- They are employing strategies such as demand side management, renewable procurement, and offsets toward the tail end of their 2032 goal.
- While the bank has explored portfolio level targets, there are currently several challenges in the space.
- They are encouraged that large Indian companies will be required to report on scopes 1, 2 and 3 emissions and will be mandated to obtain reasonable assurance. This is expected to facilitate the development of portfolio emissions reporting at the bank level.
- In their reported data, they mention that they are working with their borrowers to encourage emissions disclosure and intend to use their influence to encourage them to set their own net zero targets.
- We appreciate the complexity of setting targets and strategies for emissions reduction in an emerging market context, and the difficulty with setting targets for financed emissions. We believe that their approach is reasonable given the context within which they operate.

We inquired about the implementation of exclusion policies in their lending book. A number of global financial services businesses employ this strategy as a means of decarbonising financed portfolios.

- They mentioned that they have policies for some harmful and illegal activities.
- However, on climate it is much more difficult given the current dependence of the Indian economy on fossil fuels.
- While they stated that their reduction in exposure needs enabling action at governmental level, they track exposures to climate sensitive activities, such as coal.
- We believe that their response is reasonable given the complexity inherent in a whole-of-economy transition in an emerging market context.

We discussed the specific challenges of integrating ESG within an emerging market environment. We recognise that each market may encounter different challenges with ESG integration.

- They mentioned data quality as a challenge in India.
- The national renewable energy framework requires further development to create more of an enabling environment. For example, in India, the minimum threshold for selling into the grid is 1MW. HDFC Bank has over 300 offices, however only one of these meets the threshold.
- While this is currently a challenge, they are encouraged by some of the developments in this space.

They highlighted some of the enablers that facilitate a system-level transition.

- The government is looking to reduce the threshold for selling into the grid to 100kW, which will assist with renewable uptake. However, approval of this is still in progress.
- The Indian government is targeting 50% renewable energy in the energy generation mix by 2030. This will help to decarbonise scope 2 emissions.
- India is now producing their own solar panels, which is expected to accelerate the transition to renewable energy.
- We inquired about the feasibility of the 50% goal given the current rate of increase in electricity supply. They responded that they were encouraged by rapid technological advancements, India's vast solar potential, government subsidies and forthcoming business-friendly regulations that would increase solar potential.
- We also queried the concern around baseload power. They responded that the government is pursuing alternatives such as hydrogen, nuclear, alternative fuels and power storage to meet baseload requirements.

Outcome

Climate risk, regulation and public expectations are constantly developing, necessitating organisations to adapt their processes and governance structures accordingly. We are encouraged by HDFC Bank's proactive approach to integrating ESG risk in their business operations and anticipate that they will deepen and evolve these as needs change. We appreciate the discussions around the broader macro risks and opportunities for decarbonisation. These insights have contributed to our understanding of sustainability within the investment case. Our extensive research on practices at HDFC Bank, spanning multiple years, has led us to conclude that they are ahead of peers on their ESG practices. We therefore continue to include an ESG premium to the multiple we use to value the business. +

Case study

The evolution of climate change engagement

COMPANY	**REGION**
ACROSS INDUSTRIES	**SA AND OTHER EMERGING MARKETS**
ACTION	**OUTCOME**
LETTERS AND EMAILS	**POSITIVE, ONGOING AND NEGATIVE**

The physical and transition risks associated with climate change can affect our investee companies in many ways. Different sectors and regions will be impacted differently, including through increased carbon taxes, capital expenditure required to decarbonise their operations to comply with changing laws or to retain their social license to operate, and potentially increasing costs associated with climate-related litigation. Companies may also experience business interruption from chronic or acute physical climate impacts and increased costs of associated repairs in the event of damage. As long-term investors it is imperative that we obtain the correct information to ensure that we understand the impact of these risks on the intrinsic value of the businesses in which we invest and engage with companies who are not making sufficient progress to advocate for better practices.

Starting point: advocating for comparable baselines

We have engaged with companies on a variety of environmental issues over several years as part of our bottom-up engagement process. In 2020, we identified climate disclosure as a relevant thematic area of focus. We viewed disclosure as the first step to engaging on climate in a coordinated manner across portfolios, as it is important to have the right information to assess and compare companies to identify those that are exposed to higher risk and those that are not managing this risk appropriately. Our position is that we would be unable to meaningfully perform an analysis of companies' climate risk unless we were armed with consistent and relevant data in order to compare our investee companies to their peers, their own historical profile and their stated trajectory from their current position to their planned targeted state. We believe it is important to employ a data driven approach to ensure we focus our resources on understanding and addressing the most material risks to our portfolios.

With the increased focus on climate over the past decade, we have seen an increase in the number of frameworks that companies can use to disclose their climate-related information. This made it difficult for companies to adequately address stakeholder concerns about climate disclosure as they were unsure of which frameworks or guidelines to follow. We assessed the main ESG and climate frameworks and concluded that the Taskforce on Climate-related Financial Disclosures (TCFD) was the best practice framework at the time. We deemed this to be the framework that provides us with the most relevant information to understand company climate-related risks and their planned management thereof, which will assist us with climate integration.

In order to send a clear message, we have engaged with over 100 companies since 2020 to request disclosure in line with the TCFD recommendations, starting with South African companies and later including investee companies from other jurisdictions. This was not an easy undertaking as it involved numerous iterations of interactions to engage with companies at differing stages of their climate reporting journeys. It also involved motivating why we require this information, as well as our reasons for advocating for the TCFD specifically. This has been a multi-year endeavour spanning many interactions with investee companies.

Since then, climate disclosure practices have continued to evolve and the IFRS Foundation formed the International Sustainability Standards Board (ISSB) which has released the IFRS S1 and S2 standards on sustainability and climate. These are based on the principles as set out by the TCFD but provide granular and extensive details about implementation and disclosure. The Financial Stability Board (the architect of TCFD) announced the culmination of the TCFD in mid-2023 and the transfer of the oversight of corporate climate disclosure to the IFRS Foundation. The ISSB's standards appear to be the emerging best practice globally and are likely to be taken up as the basis for mandatory disclosure in several regions. We believe that the companies that have started the journey of TCFD reporting are well placed to commence ISSB reporting, should it become mandatory in their relevant jurisdiction.

Shifting the focus to action on climate risk

Over the years of engagement, we have seen a significant increase in TCFD aligned disclosure and commitments to future disclosure, as well as mandatory corporate climate disclosure developing in several jurisdictions. Now that we have a more comparable baseline for climate disclosure, we can shift our focus to increasing our engagement with companies on the actions that they are taking to reduce their climate-related risks.

We will continue to engage in 2024 with two main projects:

- Evaluating the climate disclosure of the top 10 emitters in our South African coverage universe and engaging on certain aspects. These include climate strategy, targets, governance, incentivisation, capital expenditure relating to transition finance, questions around carbon tax and future impacts, as well as plans for a just transition.
- Assessing the historical emissions profiles of the Top 100 companies on the JSE to identify those that require further engagement and then following up with these companies.

Climate change is a systemic risk across our portfolios and will continue to be a recurring thematic area of focus in future. Over time, companies' strategies will evolve, and the operating environment will change. We will continue to adapt our research and engagement strategy to account for this, so that we can advocate for risk management in an appropriate manner that supports long-term value creation for our clients. +

Case study

Tackling water security

COMPANY
ACROSS INDUSTRIES

REGION
SOUTH AFRICA

ACTION
RESEARCH, LETTERS AND MEETINGS

OUTCOME
ONGOING

Water security is arguably one of the most critical risks to South Africa's social, economic, and political long-term future. In particular, water stands as a critical business imperative, indispensable for a myriad of functions including employee-related health and sanitation, as a direct input into business processes, and various aspects within the company's supply chain. The water security challenge varies across businesses, as water is both a local and national resource and because the availability of both the quality and volume of water required for operations differ depending on the region of operation and nature of the business.

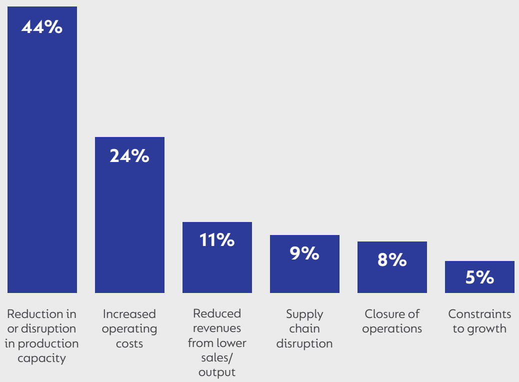
As illustrated in Figure 27, water stress can impact a company in several ways.

As insufficient water security is a systemic risk for many South African businesses, we identified this as a thematic area of focus for engagements in 2023 and 2024.

A complex and multifaceted challenge

Our engagement project must be contextualised within the operational landscape of South African companies. Understanding the broader context is paramount in addressing the challenges faced by businesses in South Africa. Businesses face the dual dilemma of

FIGURE 27: TOP SIX POTENTIAL IMPACTS IN DIRECT OPERATIONS AND SUPPLY CHAIN

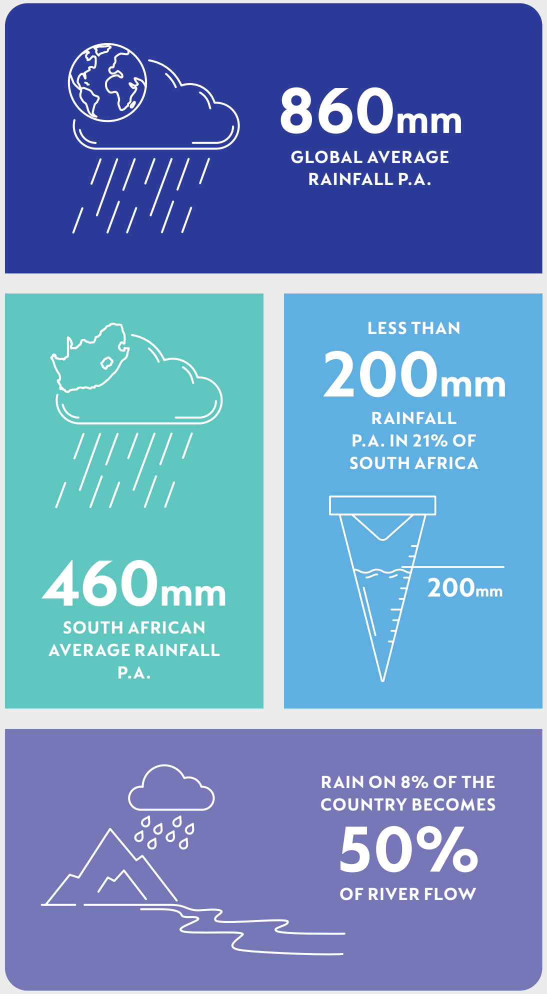


Source: CDP 2021 Water Data set

water stress exacerbated by climate change, as well as municipal infrastructure challenges which are affecting availability of sufficient, useable water that may be required to run a business.

Water security is not a simple issue in South Africa. Not only is South Africa a water-scarce country, but the supply chain from source to tap is complex. It comprises many integrated systems, and the regulatory framework that governs its operation as well as its oversight is complicated and problematic. While water as a resource is a national asset, regulated by the Department of Water and Sanitation (DWS), the provision of municipal water – which is what most companies rely on – falls under the purview of local government. The legislation which governs these two entities is different, and one department cannot interfere with the workings and obligations of the other – in other words the Minister of Water and Sanitation cannot easily intervene in the delivery of water services at local government level. Likewise, local governments cannot allocate water resources without going through the processes required by the DWS.

Using a wide lens, South Africa's biggest long-term water challenge relates to inherent scarcity and the impact of climate change. Annual average rainfall is around 460mm, which is almost half the global average of 860mm. This rainfall is very highly concentrated and unevenly dispersed across South Africa's landmass, with 21% of the country getting less than 200mm per annum. Rain which falls on 8% of the land contributes 50% to what ultimately becomes river flow and can be abstracted.



In addition, South Africa has no navigable rivers, which are traditionally critical to economic and industrial development because they provide a natural source of necessary water and transport. The larger rivers – the Orange, Vaal, and parts of the Limpopo – occur in parts of the country where there is little industry, while South Africa's commercial and industrial heartland – Gauteng – has no sustaining water source. Seven out of nine provinces rely on water from other provinces for around 60% of their economic activity. Gauteng is 100% reliant on water from elsewhere. This increases the vulnerability of South Africa's economic heartland to water scarcity and climate change.

The processes which are necessary to sustain and maintain these systems are also at risk. Water monitoring and measurement at source has seen three decades of reduced fiscal and human resources, as people are needed to monitor rainfall, river flow and ground water at source regularly and over long periods of time. Most of the larger rivers are dammed to capacity. Maintenance of and investment in the engineering of these ageing systems has been poor.

However, the very weakest part of these complex systems is right at the end of the supply chain. Population growth, coupled with water scarcity and climate change have increased the strain on water resources and infrastructure, but this has been materially exacerbated by the poor performance of entities tasked with maintaining water and sanitation infrastructure. The widespread breakdown in governance at the municipal level has exacerbated poor maintenance of water systems leading to polluted systems, poor treatment and massive physical and revenue loss (non-revenue water). Water stoppages are increasingly common, and "water shedding" has become common in most geographies outside of the Western Cape. According to the Water Research Commission, 36.8% of total municipal water supplied in South Africa is lost before it reaches industries and households.

The physical impacts of climate change are predicted to worsen and will disproportionately affect different regions. Average temperatures in the South African interior are projected to increase at 1.5 to 2 times the rate of increase of global average temperatures[7]. Rainfall is predicted to increase over certain regions of the country and decrease over others, potentially causing droughts and floods, each with detrimental impacts on society[8]. Flooding can compromise water quality with excess water flow collecting contaminants and polluting the water supply[9]. Water treatment systems, already under immense strain, are likely to further restrict both availability and usability for certain purposes. Periods of drought will have meaningful impact on South African society, not only impacting the quantity of water available for human use, but also water quality as pollutants in the water become more concentrated[10].

Deep dive to assess the scope of the water challenge

In 2023, we examined the Top 100 companies listed on the JSE to identify major water consumers, identifying 58 firms for a closer analysis of their water-related risk exposures and management strategies. This included compiling data on specific aspects, including water consumption metrics, strategies for water usage reduction, risk management practices, water reduction targets, exposure to geographic areas with high water stress, and any penalties related to water usage.

Our initial approach involved reviewing company-provided water disclosures to ascertain whether this adequately addressed the questions posed above. Where further information was needed, we engaged with each company seeking additional details. This effort resulted in 25 water-related interactions across 20 companies since the start of 2023.

Initial focus on disclosure and processes

In 2024, we are moving into the second phase of the project. We aim to analyse the data collected from the initial assessment and compile a targeted sub-list of companies that either lack adequate disclosure on water usage and risks or do not have sufficiently robust processes in place to manage these risks adequately.

We will prioritise companies based on several key factors, including the volume of water consumption, the geographical location of operations with potential water stress issues, and sector-specific water usage norms and risks. Our aim in these engagements is to request increased disclosure and explore improved processes to better manage water-related risks. +

7 *Climate change – detailed projections for future climate change over South Africa, greenbook.co.za*
8 *Ibid*
9 *National Geographic, How Climate Change Impacts Water Access, https://education.nationalgeographic.org/resource/how-climate-change-impacts-water-access/*
10 *UK Centre for Ecology & Hydrology, The impacts of drought on water quality and wildlife, www.ceh.ac.uk/news-and-media/blogs/impacts-drought-water-quality-and-wildlife*

Case study

Progress with plastics: seeking solutions in the food retail sector

COMPANY	REGION
SPAR, PICK N PAY, WOOLWORTHS AND SHOPRITE	SOUTH AFRICA
ACTION	**OUTCOME**
MEETINGS	ONGOING

Plastic waste presents a double dilemma, fueling both environmental pollution and the acceleration of climate change. While the strong and durable nature of plastics enables it to serve a diverse range of purposes, these same properties mean that plastic will persist in the environment for an extended period. Plastic will degrade after its useful life, however the timeframe for degradation will differ depending on the environmental conditions. The duration of this can range from several decades to centuries for full degradation. This is harmful to society and the environment for several reasons. Biodiversity is impacted as plastic waste can be ingested by animals causing choking or other damage to their health and can result in entanglement of marine species. Furthermore, human health may be impacted through direct consumption of microplastics or bioaccumulation in the food chain[11].

In response to this pressing issue, the UN Environment Programme (UNEP) is working toward an international, legally binding treaty to end plastic pollution. Given its profound ramifications for the natural environment, and its pervasiveness in the food retail space, we believe this is a material issue worth monitoring and engaging on with the listed South African food retailers.

Issue

Our engagements on this issue began with a collaborative effort in 2019, when we co-signed a letter with other investors to the main South African food retailers requesting the reduction or elimination of single-use plastic carrier bags. Since then, we have engaged with the retailers several times on this matter. Through these engagements, we realised that the issue extends far beyond single-use plastic carrier bags, requiring a more systemic approach to reducing plastic throughout the entire value chain.

While carrier bags are a notable concern, they represent just one facet of the broader challenge. Food retailers also use plastic to contain liquid products such as sauces, milk and juice, barrier bags to contain loosely stored fruit and vegetables, and other protective packaging to shield certain items from contamination and dirt.

Shifting away from these to other materials can be challenging for several reasons. For example, it would undermine the retailer's competitiveness in their food divisions if they switched to alternative forms of packaging which are not able to provide the same degree of freshness for the same time period.

Action

Recognising the scope of the challenge, we embarked on a focused effort in 2023 to gain a comprehensive, industry-wide understanding of the state of progress and challenges experienced. This commenced with desktop research to understand companies' current positions on various issues. We then supplemented this with discussions with individual companies to further understand differences between retailers' reporting and targets, as well as some of the common challenges experienced and their views on collaborative initiatives aimed at collective solutions.

[11] *WWF, Plastics, Facts and Figures*, https://www.wwf.org.za/?32751/plasticsfactsandfutures

The first step was to look at the disclosure of the four largest listed South African food retailers to gain insight into their reported metrics, targets and any collaborative initiatives to work with peers to reduce plastic use. Once we established this context, we set up four meetings (one at the end of 2022 and three during 2023) to discuss some of our concerns and to deepen our understanding of the complexities. Our initial analysis highlighted two areas of concern; namely the reporting of metrics to track plastic reduction at an entity level, and the potential for collaborative initiatives to accelerate the progress of reduction. Collaborative initiatives can be useful tools to leverage and share knowledge on complex and global issues in order to work toward common solutions and increase the speed of progress by removing the duplication of efforts.

From our meetings with the companies, we gained several insights:

- **Regulations and collaborative initiatives have evolved significantly over the past few years.** This includes developments such as the Extended Producer Responsibility Regulation in South Africa, the commencement of voluntary corporate plastics reporting through the CDP platform, as well as collaborative initiatives such as the Ellen MacArthur Foundation's Global Commitment and the SA Plastics Pact being formed. The Extended Producer Responsibility Regulation provides a framework for extended producer responsibility schemes, encourages the effective and efficient management of end-of-life products and promotes and enables circular economy initiatives. This regulation requires producers in certain sectors to implement processes, report on certain aspects and adhere to targets on recycling, recycled content, reuse and collection. We see this as beneficial as it regulates the requirement to collect and track specific information (which will likely improve external reporting) and the targets mandate requirements to work toward less plastic waste and more recycling.
- **Plastic reduction is now being considered in the design phase.** The focus is on reducing "unnecessary and problematic" material, rather than just "single-use" plastics. It is no longer treated as an end-of-life solution only.
- **Collaboration is key.** Given the scale and complexity of the problem, progress can be achieved more rapidly through collective effort to avoid the duplication of work required when pursuing reduction through individual efforts. Furthermore, retailers have limited control over products that are not own-branded products. It is therefore helpful for them to work together toward the goal of reducing plastic in food retail, especially with products supplied by large multinational corporations. The two most frequently mentioned collaborative initiatives were the Ellen MacArthur Foundation and the SA Plastics Pact. These provide good granularity of reporting and leverage collaboration for solutions to collective issues. Ellen MacArthur is an organisation which co-leads (alongside the UN Environment Programme) the Global Commitment, whereby the underlying signatories commit to five targets by 2025 to contribute toward a common vision of a circular economy for plastics. The SA Plastics Pact is a South African version aligned with this collaborative initiative, with four similarly ambitious goals for 2025. SPAR is part of the SA Plastics Pact, whereas Woolworths and Pick n Pay are signatories to both initiatives.
- **All of the retailers under review have targets in place to reduce plastics.** While some are on track, others are behind target due to several challenges with the process. While they do not

Given the scale and complexity of the problem, progress can be achieved more rapidly through collective effort.

all set targets in line with all of the Ellen MacArthur and SA Plastics Pact targets, they all do incorporate some degree of these targets which are deemed to be best practice.

The retailers encounter several challenges in addressing the issue of plastic reduction:

- **Engaging with suppliers:** The retailers reviewed are focusing on their own-branded products given the challenges experienced in engaging with suppliers. 90% of Woolworths' products are own branded, while the proportion of own-branded products for Shoprite, SPAR and Pick n Pay range between 20% and 25%.

  Despite the challenges, they do still engage with suppliers to encourage positive environmental performance.

  Some of their suppliers are large multinational companies and are therefore difficult to engage with as South African retailers may be a much smaller proportion of their total revenue and consequently will have significantly less bargaining power. As a result, collaboration at an industry level is needed to bolster their leverage and effect plastic reduction beyond their own branded products.
- **Consumer awareness:** Once the products leave the stores, consumers are required to complete the process by recycling the packaging. Therefore, it is important to educate consumers so that they are empowered with the knowledge of what can be recycled and how to do so. As a result, on-pack recycling labels and consumer awareness programmes are critical.
- **Infrastructural challenges with recycling:** Some materials can't be recycled in South Africa, and it would be inappropriate for retailers to label packaging as "recyclable" if the country does not have the necessary technology to enable recycling of a particular type of material. If the necessary infrastructure is not present or maintained, this creates a roadblock for retailers achieving their goals on recycling and recyclability.
- **Reporting and measurement:** Collecting and producing estimates of the underlying information is difficult. One of the retailers mentioned that they have made progress with internal reporting, but are not yet ready to report externally.

We urged two retailers to enhance their public reporting efforts. We highlighted to one that total waste is a more useful metric than waste diverted from landfill in assessing the scope of the problem. We encouraged another retailer to report publicly on plastic packaging total weight and disclose granular information under the Ellen MacArthur Foundation. This is valuable from a public reporting perspective, as signatory responses on plastics reporting are available on their website.

Outcome

Reduction of plastic usage in the value chain and increasing recyclability is a very complex issue

for retailers to address. It requires coordinated, systems level changes which involve multiple parties. Through our ongoing engagement, our understanding of some of the key challenges has deepened.

We are encouraged by the consideration and planning employed by the retailers in reducing their plastic use and notably by them setting targets to work toward the larger goal of reducing plastics across the food retail value chain. We continue to monitor progress by tracking reporting and engaging with the companies to understand the progress in their journeys toward their targets and to encourage better transparency for all stakeholders. +

Navigating climate risk

As asset managers and allocators, we embrace our fiduciary responsibility to address the challenges arising from climate change and mitigate its impact. One of the ways in which we can identify the companies that are most exposed to climate-related risk is by measuring the carbon footprint of our portfolios. However, we recognise that portfolio level decarbonisation does not necessarily lead to real-world emission reductions. Our objective is therefore not to focus on statistics that hint at a decarbonisation trend, but to provide a nuanced assessment of our portfolios in relation to the investment universe. We identify those stocks within our portfolios that have the highest climate-related risks and assess how these risks are being addressed in the interest of long-term sustainability.

In Figure 28 we report on the carbon intensity of some of our flagship strategies. The carbon intensity of a portfolio is calculated as the estimated number of tonnes of carbon emitted for every $1 million in revenue generated by the weighted average of the portfolio's underlying holdings. Figure 28 shows that our strategies have lower carbon exposure levels than an investment in the appropriate index tracker for each strategy.

Identifying material contributors to portfolio carbon intensity

In order to identify priorities for our stewardship activities, it is instructive to understand which companies are contributing most to carbon emissions. As can be seen from Figure 28, it is evident that the majority of emissions are driven by a few companies with large emissions.

Portfolio-level carbon emissions

FIGURE 28

Sources: MSCI, Coronation

[12] *Carbon dioxide equivalent or CO_2e is a metric used to compare the emissions from various greenhouse gases based on their global warming potential*

The emissions profile of each portfolio is clearly skewed by a small number of securities, as certain companies and sectors drive the majority of carbon emissions. While it remains important to engage with investee companies across the board on their emissions profiles, this analysis helps to ensure that attention is directed to those companies that can make the most meaningful impact on lowering aggregate real-world carbon emissions.

Sasol is the largest contributor to carbon emissions in our South African Houseview Equity portfolio. Sasol's high emissions profile is primarily due to the nature of its business, which is heavily dependent on fossil fuels, particularly coal, for production. As a result, Sasol's scope 1 and scope 2 emissions, which are direct emissions from its own operations and indirect emissions from the electricity it purchases, are relatively high. We have engaged extensively with Sasol over many years to ensure that they have credible plans in place to decarbonise their operations, as set out on page 78.

We have engaged extensively with Sasol over many years to ensure that they have credible plans in place to decarbonise their operations.

Two of our holdings in Canadian Railways provide the highest contribution to carbon emissions in our Global Equity portfolios. While these holdings provide the highest contribution to carbon emissions in our Global Equity portfolios due to the use of diesel to power locomotives, they are a much more fuel-efficient means of transport than the major alternative, which is trucking. On average, transport by rail emits 75% less carbon per ton-mile than transport by truck. While blunt total emissions calculations suggest that rail is negative from an environmental perspective, each ton of volume moved from truck to rail lowers overall emissions. In our view it is part of the solution to reducing carbon emissions. In addition, Canadian Railways are implementing measures to reduce their carbon footprint, such as hybrid locomotives, and more fuel-efficient technologies.

The Brazilian oil and gas company PRIO is a significant contributor to carbon emissions in our Global Emerging Markets portfolios. 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.

Assessing transition plans of companies in our portfolios

While examining portfolio-level carbon emissions offers a retrospective insight into our portfolios' carbon footprint, it fails to indicate how investee companies are decarbonising their operations. An assessment of transition plans across different equity portfolios shed light on the levels of commitment to comprehensive reduction strategies. Figure 29 provides a breakdown of the degree to which portfolio companies have adopted emissions reduction targets and aligned

FIGURE 29: TRANSITION PLANS OF PORTFOLIO COMPANIES

	SA Houseview Equity	Global Emerging Market Equity	Active Global Equity
Companies in our portfolio with GHG emission reduction targets	66%	54%	64%
Companies with targets across all scopes	45%	30%	47%
Companies with SBTi approved targets	26%	21%	37%

with science-based targets (SBTi's). This serves as a valuable tool for tracking progress and comparing the efforts of different companies. By regularly assessing the SBTi's of our portfolio holdings and monitoring their progress, we are able to pinpoint areas for improvement and engage with investee companies accordingly.

The data indicates that a significant portion (66%) of the companies in our SA Houseview Equity portfolio have set targets for reducing their greenhouse gas (GHG) emissions. This suggests a widespread recognition among companies of the importance of addressing climate change concerns and reducing their carbon footprint. While a substantial portion of companies have GHG emission reduction targets, only 45% have targets that span across all scopes of emissions. This indicates that there is still room for improvement in terms of comprehensive emission reduction strategies, as not all companies are able to address emissions from all sources within their operations and value chains as yet.

Science-based targets

Science-based targets (SBTi's) 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 well below 2°C above pre-industrial levels. The SBTi initiative provides a framework for companies to set science-based targets, with the aim of aligning corporate emissions reduction targets with the latest climate science. This initiative is supported by a growing number of businesses worldwide that recognise the urgent need to take action to combat climate change.

In the Global Emerging Markets Equity portfolio, 54% of companies have set GHG emission reduction targets. While slightly lower than the overall portfolio, it still indicates a significant portion of companies in emerging markets are addressing environmental concerns.

Only 30% of companies in this portfolio have set targets that span across all scopes of emissions, indicating a greater need for improvement in comprehensive emission reduction strategies compared to the overall portfolio. The percentage of companies with SBTi approved targets (21%) is lower in the emerging markets portfolio compared to the Developed Market Equity portfolio and the SA portfolio.

These lower figures should not be unexpected. Challenges such as limited resources, weaker governance structures, and more immediate development needs can impede comprehensive reporting practices. Furthermore, the extent of emissions reporting largely hinges on whether it's voluntary or mandatory.

To illustrate the difference between data availability in different markets, it is insightful to compare reporting of scope 1, 2 and 3 emissions between companies in emerging markets and those in developed markets (Figure 30). While overall coverage levels need to improve significantly, it is encouraging to see coverage increasing over time.

The developed market equity portfolio shows a higher percentage of companies (64%, Figure 29) with GHG emission reduction targets, indicating a stronger focus on addressing environmental concerns within developed markets and a relatively higher level of comprehensive emission reduction strategies, with 47% of companies in this portfolio having targets that cover all scopes of emissions. The percentage of

FIGURE 30: % OF COMPANIES THAT REPORT EMISSIONS DATA

	Emerging markets			Developed markets		
	2023	2022	2021	2023	2022	2021
Scope 1 & 2	62%	53%	41%	86%	78%	74%
Scope 3	33%	27%	20%	75%	66%	63%

Source: MSCI

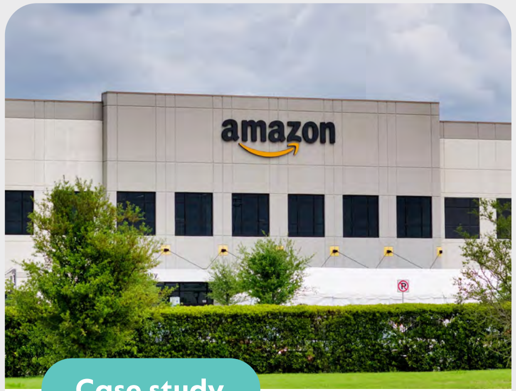
companies with SBTi approved targets (37%) in the developed market equity portfolio is the highest compared to the other regional portfolios, indicating a greater willingness and ability among developed market companies to align their emissions reduction goals with scientific recommendations.

Overall, these observations suggest variations in the adoption and robustness of transition plans across different equity portfolios, with developed market companies generally showing higher levels of adoption of comprehensive emission reduction strategies and alignment with scientific recommendations compared to emerging markets.

Conclusion

Our detailed analysis of portfolio-level carbon emissions presented here offers a comprehensive and nuanced understanding of our exposure to stocks within our investment strategies with climate-related risks. It also provides an overview to the degree to which portfolio companies have adopted transition plans. It underscores 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 influence and mitigate the impacts of climate change to enhance shareholder value and the sustainability of companies with which we engage.

We remain committed to engaging with investee companies to influence and mitigate the impacts of climate change to enhance shareholder value and the sustainability of companies with which we engage.



Case study

Joining forces to advocate for improved carbon-emissions reporting

COMPANY

AMAZON

REGION

UNITED STATES

ACTION

LETTERS AND COLLABORATION

OUTCOME

ONGOING

Amazon is one of the largest global e-commerce businesses. Their global gross merchandise value was $665 billion in 2023, with over 21 billion units packed and shipped[13]. They have captured approximately 35% of the e-commerce market. Given their scale, they have a significant impact on the environment. Furthermore, through their extensive supply chain, they have significant influence to advocate for many suppliers to decarbonise.

As climate change is a systemic risk to our investment portfolios, it is imperative to analyse and engage with the investee companies with high emissions to advocate for decarbonisation. For investors and other stakeholders to assess their progress against emission reduction targets we need good quality data to understand the baseline.

Issue and background

This engagement project with Amazon started in 2022 when our research made us aware of allegations of underreporting of their scope 3 footprint by excluding certain material segments of their value chain. These allegations concerned us for two reasons. Firstly, Amazon's extensive scale and the vast reach of its value chain means that it has a significant influence on global emissions. In addition, they co-founded an initiative called The Climate Pledge, under which signatories commit to reaching net zero emissions by 2040. However, we are unable to track their progress toward this target without complete reporting of their baseline emissions and reported emissions over time. Due to these concerns, we set out on a research process to investigate the veracity of these claims and to form our own conclusions regarding whether it was necessary to engage with the company.

Our analysis involved assessing the underlying categories of Amazon's scope 3 inventory, and comparing the emissions intensity of various scope 3 categories to peers.

Our initial analysis identified the following key areas of concern:

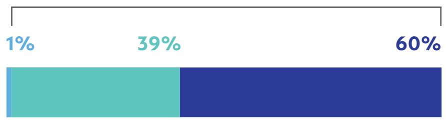
- Uncertainty regarding whether full middle- and last-mile emissions were captured in the reporting category "downstream transportation and distribution", as this category was lower than expected when compared with peers.
- Amazon seemed to only include Amazon-branded products in its categories for "purchased goods and services" and "use of sold products" emissions. Furthermore, it does not appear that non-Amazon branded first-party products and third-party products are captured anywhere else in their scope 3 inventory either.
- Emissions from "employee commuting" were lower than peers, therefore we had concerns about completeness of the reporting boundary.

In reports released subsequent to our initial analysis, the granularity of disclosure appeared to deteriorate. In the most recent reports, scope 3 emissions are not disclosed in line with the GHG Protocol categories, making comparison with peer retailers difficult.

[13] *Morgan Stanley*

The GHG Protocol is regarded as a best practice framework for emissions reporting. While Amazon's Carbon Methodology states that their carbon footprint meets the standards of the GHG Protocol, their scope 3 emissions are not disclosed in line with the 15 separate categories of the GHG Protocol. Instead, Amazon consolidated these categories into four broader categories, further complicating meaningful comparison.

FIGURE 31: SHARE OF AMAZON'S ONLINE SALES BY PRODUCT TYPE



Amazon tallies product carbon emissions only for its own **Amazon-branded products**, which make up about **1%** of its online sales

- Amazon-branded products
- Products sold directly by Amazon
- Products sold by third-party vendors

Source: Reveal reporting

Following our analysis, we addressed our concerns in a letter to the Chairman of the Board on 18 November 2022, requesting improved scope 3 disclosure in the context of the above-mentioned issues. No response was received, and on 6 February 2023 we contacted the company to seek clarification on the status of our inquiry and to request contact details for the relevant sustainability department contact. The Head of ESG Engagement responded to us on 25 April 2023 pointing to their carbon methodology and not directly addressing our concerns. We responded on 9 May 2023 reiterating our concerns and requesting a call.

Defining scope 1, 2 and 3 emissions

- **Scope 1:** Direct greenhouse gas emissions from sources controlled or owned by an organisation. For a retail or e-commerce company, this would typically include transport in vehicles that the company owns as well as emissions from products the company manufactures.
- **Scope 2:** Indirect emissions from the production of purchased energy.
- **Scope 3:** Indirect emissions produced by other stakeholders in their value chain. For a retailer, this should include all emissions from suppliers (such as their emissions from manufacturing products and transportation, as well as purchased energy) and emissions from customers who are using their products.

Collaborative action

Given the lack of progress from the company in addressing the concerns we opted to escalate the engagement through a collaborative approach, with the hope of yielding better results. Leveraging our PRI signatory status, we accessed the PRI Collaboration Platform. In June 2023, we published a letter describing our process and concerns on the PRI Collaboration

Platform. We invited other investors to sign a joint letter, setting the deadline for signatories to express interest at 30 September 2023 in order to ensure broad support. This project attracted 21 other investor signatories with a joint AUM of $398.7 billion. As Amazon released their 2022 Sustainability Report during this time, we updated the letter for any relevant 2022 data points, and we circulated the joint letter for final signatory approval. The joint letter was sent to Amazon on 19 October 2023, re-explaining the background analysis and asking for better disclosure along the same lines as the issues raised in our first letter. No response was received, and we followed up on 27 November 2023.

Outcome

We received a response from the Head of ESG Engagement on 5 December 2023. The response provided some clarity on the methodology for transportation and distribution emissions.

Upon reviewing the initial concerns raised, we opted to prioritise the most significant areas of impact for continued engagement. We assess "downstream transportation and distribution" and "employee commuting" to be relatively small categories of emissions. We believe that our efforts are best spent focused on the product emissions categories and enhancing the granularity of the scope 3 reporting.

In 2020, the "purchased goods and services" and "use of sold products" categories represented about 30% of Amazon's scope 3 inventory. If the company were to include non-Amazon branded first-party and third-party products (the 99% of sales not currently reported on) within the boundary of reporting, we believe that this would significantly increase the quantum of scope 3 emissions. We are planning to request a response on the following three key issues from the company:

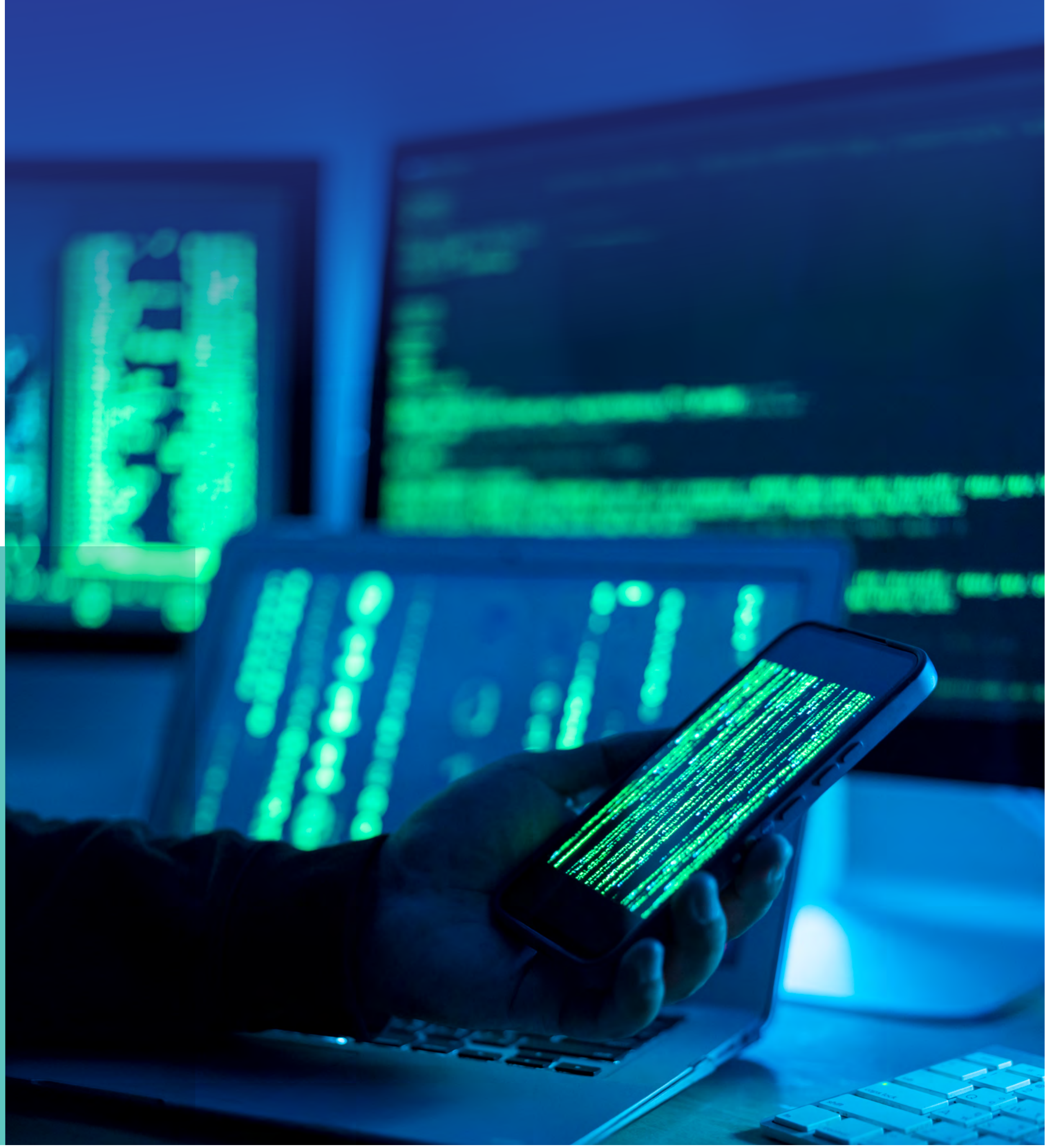
- A plan to include non-Amazon branded first-party goods in reporting on "purchased goods and services", "use of sold products" and "end-of-life treatment of sold products" GHG Protocol categories.
- Details regarding their plan to advocate for supplier decarbonisation. We believe this plan should include third-party sellers, given their substantial contribution to the gross merchandise value (GMV) sold through the platform (approximately 60% of GMV).
- Their approach to aggregating scope 3 categories remains concerning, as this makes it very challenging to perform a peer analysis. We also note that three listed peers with fewer financial and human resources have provided scope 3 disclosures according to the GHG Protocol categories.

In January 2024, we convened with the original signatory group to discuss escalation strategies and determine next steps. We sent a response letter to the company highlighting our remaining concerns and requesting a discussion in April 2024. We will also consider other means of escalation. Considering the extensive scope of their operations, and consequent environmental footprint, as well as the need for clear information to track progress against their stated targets, we will continue to engage on this issue. +

Timeline of engagements

18 November 2022	*Initial letter to the chair*
6 February 2023	*Coronation follow up*
25 April 2023	*Amazon response*
9 May 2023	*Coronation response*
19 October 2023	*Investor joint letter*
27 November 2023	*Coronation follow up*
5 December 2023	*Amazon response*
January 2024	*Signatory group meeting to discuss next steps*

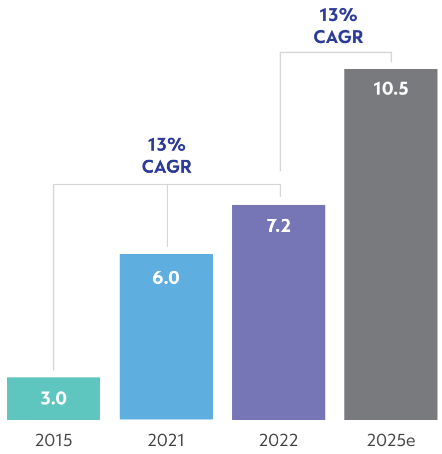
Digital rights



In today's digital world, data increasingly serves as the backbone of business operations. With this reliance on data comes a pressing need to safeguard the digital rights of consumers, suppliers, employees and other stakeholders. Protecting data privacy and cybersecurity are two essential components of safeguarding consumers' digital rights. Data privacy focuses on keeping individual personal information secure, while cybersecurity aims to prevent unauthorised access to systems and networks.

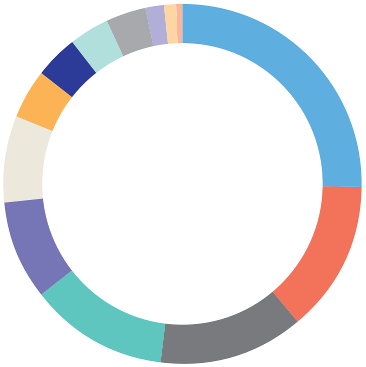
For businesses, the stakes are high: the global cost of cybercrime was $7.2 trillion in 2022 and is estimated to reach $10.5 trillion by 2025 (Figure 32). It is therefore not surprising that this is rising up on risk agendas of many companies worldwide.

FIGURE 32: ESTIMATED COST OF CYBERCRIME



Source: HSBC Decrypting Cybersecurity March 2023

FIGURE 33: TARGETED SECTORS*



- 25.5% Public administration/ government
- 13.7% Digital service providers
- 13% General public
- 12.4% Services
- 9.1% Finance/banking
- 7.6% Health
- 4.5% Transport
- 4% Energy
- 3.6% Military
- 3.4% Media/ entertainment
- 1.9% Education
- 1% Food
- 0.4% Space

* Based on the number of incidents from July 2021 to June 2022

Source: HSBC Decrypting Cybersecurity March 2023

Sensitive or personal data is particularly vulnerable to data mismanagement or cybercrime. Companies can be impacted in several ways, including through fines for breaches or data mismanagement, escalating litigation costs, reputational damage to brands, as well as potentially severe social consequences for the affected individuals in the event of a sensitive personal data breach.

As part of our investment approach, we assess risks which exist across a particular market or sector and embark on thematic engagement projects where appropriate. In evaluating our Global Emerging Market strategies, we identified data privacy as a pervasive concern, given our exposure to companies in the financial services and technology sectors. These companies face heightened exposure due to the extensive utilisation and storage of personal data, making them prime targets for cyber threats (Figure 33). Based on this, we compiled a list of target companies that were most exposed to these risks to be pursued for further engagement. Our aim with this research and engagement project was to assess whether there is any indication that these companies are not appropriately managing the risk of data privacy breaches and cybersecurity incidents.

Given that the mismanagement of personal data and data breaches are often unanticipated events that can impact the company in a number of different ways, there is too much uncertainty for us to model for this explicitly. This is exacerbated by the fact that the detailed assessment of the risk management process may require sensitive commercial information which companies may be unable to disclose. Therefore it is more appropriate to model for this implicitly. If the research process indicates that a company has not appropriately addressed this risk, it may require the analyst to reassess whether an ESG discount would be appropriate.

Understanding the regulatory and technical landscape

Our research and engagement project consisted of four aspects which aided us in forming our overall conclusions.

Integrating ESG risk into our valuation model

Our ESG integration process accounts for ESG risk in our valuation models in two ways:

- **Explicitly:** where we are able to quantify the financial impact and estimated timing thereof, we will include the direct impact in modelled future earnings.
- **Implicitly:** where the uncertainty around timing and amount of impact is too high, we will include an adjustment to the multiple we use to value the business and/or require a higher margin of safety to hold the stock.

Firstly, we assessed the regulatory environment across the relevant jurisdictions of operation, including Brazil, China, India, South Korea, Taiwan and Uruguay. The regulatory frameworks varied in detail, with most including basic tenets of protecting personal information. This encompasses principles such as consent required for the use, processing or disclosure of personal data, a clear purpose for requesting information, requesting only the necessary information and requirements for appropriate security measures to safeguard data. Different jurisdictions have different levels of regulatory stringency regarding data privacy and these regulatory environments are evolving as the use of data in operations and related threats evolve.

We considered an assessment of the regulatory environment to be an appropriate first step as legal requirements often serve as the minimum threshold for responsible corporate behaviour. Implementation and compliance with the law could then be supported by robust governance structures within the organisations.

Secondly, as this is a rapidly evolving area of risk management, the regulations may lag what is practically required for companies to adequately protect themselves from the negative implications of data breaches. We therefore analysed the relevant company disclosures to understand the additional measures companies have implemented to address these risks beyond the minimum regulatory requirements.

We also leveraged our expert network to arrange consultations with experts to deepen our understanding of the key issues. These experts were from diverse backgrounds and included both technical and legal experts. We looked for perspectives from various jurisdictions to ensure we had a broad viewpoint, including South Korea, Brazil, India and China.

Lastly, we engaged directly with the companies via emails or calls to address our residual questions or areas of concern.

The main takeaways from our initial research were that breaches tend to be fairly unique and company specific, and defending against such attacks requires a lot of nuance and complexity.

Identifying the hurdles for investee companies

Given the differences across jurisdictions and between different types of companies in addressing different ESG risks, we believe it important to understand the specific challenges that companies may encounter in order to ensure that we are asking the right questions.

Our research process helped us to identify several challenges that companies face in responding to these risks. A company is only as strong as its weakest point, which, according to the experts, makes it challenging to anticipate the type of attack. As a result, the cost of the protection can be quite high. Experts suggested that companies could perform impact assessments or bug bounty programmes to identify weak spots. The scope of protection also needs to extend beyond the companies' own operations and into their outsourced service providers where data is stored or processed by another entity. This adds additional levels of complexity for a company to manage, as another entity's processes are not always directly within their scope of control.

The expert consultations also highlighted that there are country-specific nuances that will impact a company's strategy to manage data privacy risk. For example, the South Korean government has done a lot of work at a national level to prevent targeted external data breaches. In addition, Chinese companies are more exposed to data requests from governments, which may mean more transfers of data to third parties.

Furthermore, the cost of protection can be quite high, particularly for smaller companies with limited resources. However, this expense is not necessarily proportional to the organisation's size, but rather hinges on the nature of risk exposure. In addition, the expenditure will need to be deployed in a targeted and considered manner to address weak points.

The cost of protection can be quite high, particularly for smaller companies with limited resources.

Lastly, upon examining the regulations, it is evident that regulations are evolving in a number of jurisdictions and as the risks change, companies need to ensure that they keep abreast of both regulatory developments and types of incidents happening at similar companies to ensure that they can employ adequate protection.

Appropriate risk management

Through our company research and expert consultations, we gained an in-depth understanding of the complexity of protecting against specific attacks against companies with different operations, across different jurisdictions. Drawing on the expert insights and our experience with assessing the management of ESG risks in general, we recognise that it is difficult for an investor to assess the appropriateness of digital rights risk management, as an outsider. The distinctive nature of the required risk management and the sensitive nature of the information regarding the companies' processes to defend their data contribute to this challenge. We therefore concluded that going forward, the most effective approach for us would be to ensure that companies have robust governance structures in place to oversee the management of these risks. These structures include:

- **Effective leadership:** All the experts emphasised the significance of the tone from the top. It is important to have dedicated teams or a senior individual with a clear reporting structure into the board, to ensure that the risk management is dealt with in a manner that is commensurate with the seriousness of the threat exposure.
- **Privacy policy:** Through our company-specific research we identified the pivotal role of a privacy policy in transparently communicating data management principles to all stakeholders, including to users granting a company access to their personal data. In one instance the company's privacy policy was only available from the local version of the search engine. However, given that the main users are domestic customers, we concluded that this was appropriate as the individuals who are providing the company with their personal data will have transparency of process and therefore will be able to make informed decisions.
- **Training:** Training on both the regulatory environment and company-specific circumstances were highlighted as an important part of the process. However, we concluded that the nature, scope and regularity will differ between and within companies.
- **Audits and certifications:** Audits or certification of security processes were also mentioned by both companies and in expert consultations as indications of appropriate risk management. Different companies had different types of certifications. However external verification of processes provides additional comfort regarding the rigour.

Targeted engagements on digital rights

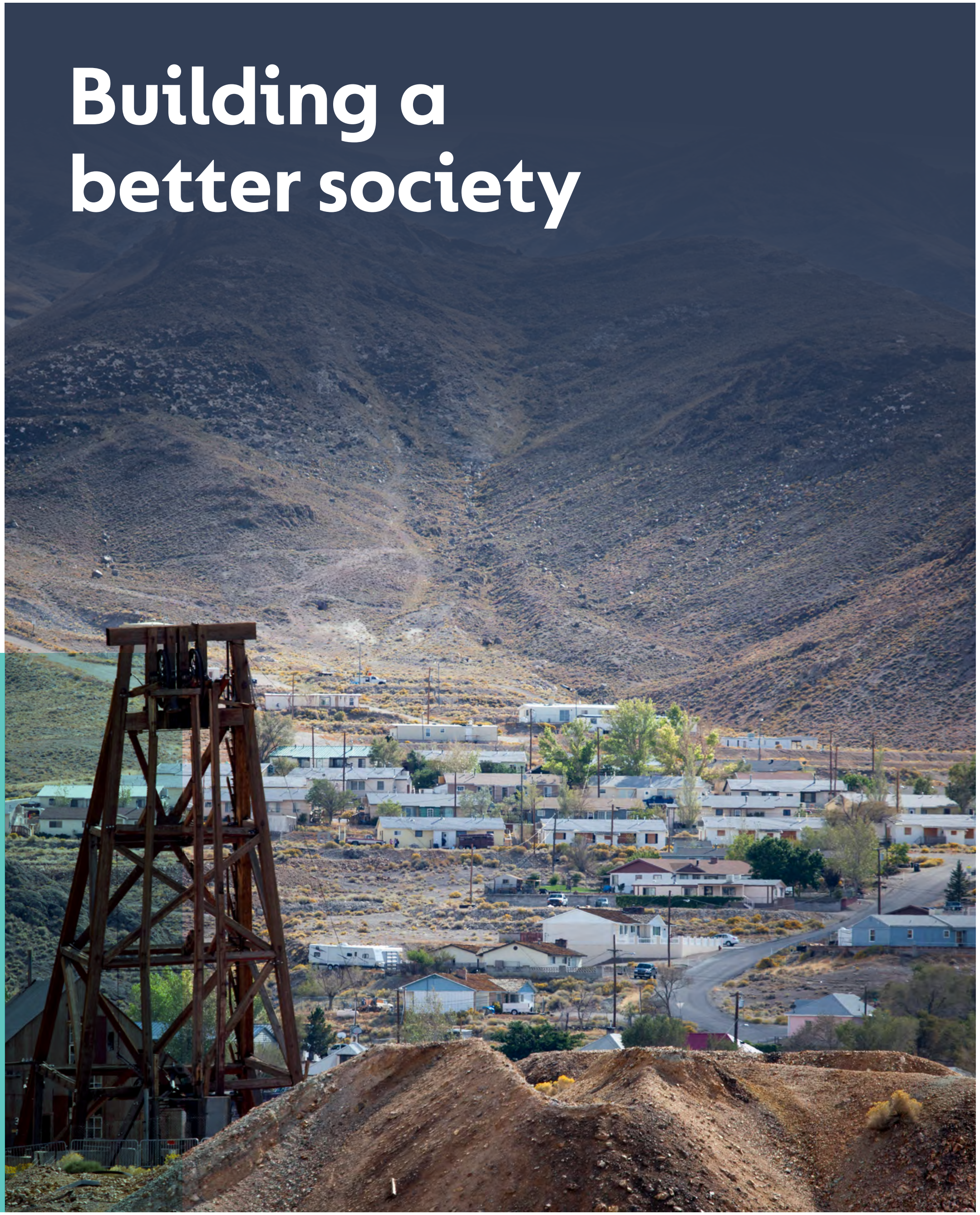
The above governance aspects informed our overall engagement strategy per company. As different companies provided different levels of disclosure and were in different stages of their journeys, the depth of engagement differed per company.

We engaged with a total of 11 companies to address concerns identified during our research process and to further improve our understanding of the company's individual challenges (see sidebar). These engagements included 12 emails and four calls. In these engagements, we requested three companies to provide more granular disclosure, and one company was asked to include a more formalised reporting mechanism to the board. We were satisfied with their response to our questions from 10 of the companies and are still awaiting a response from one company. We will monitor the ESG and sustainability reports of those companies we requested to provide more granular reporting or enhanced governance. Overall, we were satisfied that the companies are carefully considering this issue and have processes in place to manage the risk appropriately. Considering the increasing significance of this risk, which can lead to both reputational and financial consequences in the event of breaches, the information obtained from this engagement project will contribute to enhancing our understanding of how to integrate and engage on this matter for other companies in future. +

Companies we engaged with:

- Alibaba Group
- HDFC Bank
- Coupang, Inc.
- Tencent Music Entertainment
- Mercado Libre
- Sea Ltd
- Make My Trip
- PB Fintech
- Stone Company
- Pinduoduo Inc.
- Zomato

Building a better society



In 2023, we continued to engage with companies on a range of social matters. Figure 34 shows the types of matters on which we engaged, ranging from cybersecurity, diversity, inclusion and company culture to health and safety, community rights and other matters.

Diversity, inclusion and company culture

A more diverse organisation enriches the decision-making process, broadening the spectrum of perspectives, leading to more insightful outcomes. Recognising the importance of enhancing diversity and inclusion, particularly at senior management and board levels, is a pivotal step toward cultivating an inclusive corporate culture. With this in mind, we engaged with Remgro, an investment holding company, to highlight the need for better gender diversity at board and management level. Remgro discussed the strategies and processes that it has instituted to advance diversity at leadership level. We encouraged them to continue their efforts and emphasised the importance of driving diversity initiatives at senior management level within their specific work streams.

We also engaged with Ono Pharmaceuticals to discuss their initiatives to increase female representation within management. Like many Japanese companies, their gender diversity is poor, especially at management level. Only 4% of managers are female, and we consider their targets of increasing this to 10% by 2026 and 20% by 2031 an important first step, although looking a bit light. They also committed to

Foreword
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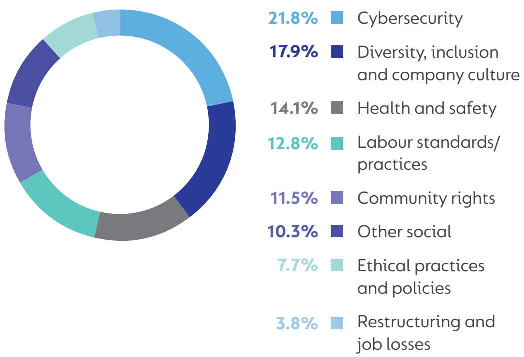
ensuring that at least 40% of new hires are female, which will contribute to improving diversity over time.

In South Africa, the Financial Sector Code provides a benchmark against which Broad-Based Black Economic Empowerment (B-BBEE) is determined. B-BBEE legislation was introduced to facilitate broad participation in the economy to redress inequalities. B-BBEE schemes promote the participation of previously disadvantaged individuals within the economy through ownership, management, skills development, enterprise and supplier development, and socio-economic development. Some of our investee companies in South Africa set up B-BBEE share schemes to promote ownership among black individuals.

We engage with companies when schemes are proposed to ensure that they are sufficiently broad-based, have a sufficient timeframe to ensure that benefits can accrue to all intended beneficiaries and that the plans are not materially dilutive. In 2023, we engaged with Impala on their proposed B-BBEE scheme and emphasised the importance of ensuring that it is genuinely broad-based. In contrast with previous deals in the sector, a genuinely broad-based deal would mean that the scheme would include as many people from relevant backgrounds as possible rather than focusing on only a small group of beneficiaries. We are awaiting the finalisation of the plan to assess whether our comments have been incorporated. We also reached out to Growthpoint on their plan for a B-BBEE trust to confirm that the deal was structured to be evergreen in nature, minimising the risk of further dilution. They confirmed that the intention of the trust is to be evergreen, and that it would be stipulated in the trust deed. It will be broad-based in nature and will use the dividends from the shares to support various corporate social investment (CSI) initiatives.

FIGURE 34: ENGAGEMENT THEME – SOCIAL



Corporate culture plays a crucial role in attracting and retaining top talent while fostering an efficient and productive workplace environment. As part of wider ESG engagements we discussed the corporate cultures at Naver and Sendas Distribuidora, focusing on how a consistent culture is maintained during growth of the business, and the impact of new management teams on corporate culture.

Cybersecurity

During the year, a key focus area was the safeguarding of the digital rights of customers, employees and suppliers at companies that we hold in our Emerging Markets strategies. Our Emerging Market strategies have significant exposure to the financial services and technology sectors, and we identified the protection of data privacy and cybersecurity as pervasive concerns within these sectors. Our engagements with 11 investee companies are detailed in the case study on page 43. These engagements contributed to the high proportion of engagements on cybersecurity (21.8%) in 2023 (Figure 34).

Health and safety

Stakeholder safety is important both from a financial perspective and for maintaining a social license to operate. The required safeguards depend on the nature of the business and its regional setting. Where we see negative safety outcomes or a high risk of significant harm to stakeholders, we will engage with companies to understand the key drivers of this threat and initiatives in place to minimise harm.

For example, during a call with Aspen Pharmacare we enquired about their reported employee fatalities and injuries. They clarified that none of the injuries were serious, and the deaths reported relate to fatalities outside of the workplace during 2022.

As part of a wider engagement with another company we discussed an alleged instance of workplace bullying. The incident was examined by the Ministry of Labour and the courts, both of which found no evidence of bullying and ruled in favour of the company. Despite these findings the company has put in place several new processes to improve the employee environment.

We also engaged with a mining company implicated by a lung disease class action lawsuit that was announced during the course of 2023. Allegations suggest that safety protocols were inadequate to protect workers against health conditions directly linked to their working environment. The mining company indicated that they were unable to provide feedback to us at this stage in the legal process, but we will continue to engage on this issue as and when it may be necessary.

Consumers may also be exposed to safety risks when using specific products. We engaged on consumer safety with Match Group, a large global owner and operator of online dating services, to understand the initiatives they have in place to protect their female users. We also had a call with Entain to understand their position on addressing problem gambling. They clarified that they have implemented changes, including exclusively operating in regulated markets and investing in AI to manage the risk of problem gambling.

Community rights

Corporations exist within a network of stakeholder relationships that are crucial to their long-term sustainability. Neglecting to manage these relationships can have significant financial impacts, especially over a long time horizon. The community in which a business operates holds particular importance in certain sectors and regions. Poor community relations can undermine a company's social license to operate, especially since community members often include employees or customers. In addition, disruptions within the community can endanger employees, lead to operational stoppages, and result in wider reputational damage.

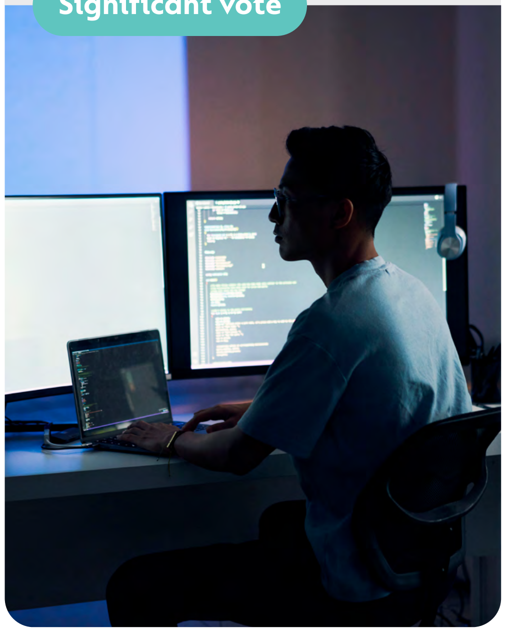
In our ongoing efforts to assess companies' commitment to upholding community rights, we engaged with Impala during 2023. Local communities frequently rely on mining companies

Microsoft Corp

Proposal:
Report on AI misinformation and disinformation

Our vote:
Supported management

Significant vote



Shareholders requested a report from the board assessing risks to the company and to public welfare related to generative AI and disclosing plans to mitigate any harm caused by company activity. This shareholder proposal was opposed by the board. The company statement referenced several reports addressing these risks, including their forthcoming annual transparency report on AI governance practices, the Microsoft Digital Defense Report, and product-specific disclosures. Considering the existing Microsoft reports and the committed disclosures, we are satisfied that they will provide sufficient public information regarding the assessment of risks relating to misinformation and disinformation, and the steps taken to mitigate these risks. Therefore, we resolved that the proposal was unnecessary and voted in opposition.

Significance: Several US companies, including Amazon (18), Alphabet (13), Meta Platforms (11), and Microsoft (9), have witnessed a surge in shareholder proposals. These proposals address various issues from climate and tax transparency to gender/racial equity pay gaps and digital rights. Due to the inadequate quality of numerous proposals and the ongoing improvement in companies' disclosures and practices, we chose not to support many of these shareholder proposals.

for employment and services such as healthcare, education and infrastructure. We discussed with Impala the need for supporting community members and providing job opportunities beyond the life of the mine. This is an increasingly important topic given escalating socio-economic challenges across the country. They reaffirmed their commitment to supporting communities at present and to putting in place support and education structures today that will benefit community members beyond the life of the mine.

In addition, we had a call with ARC Resources regarding their operations near First Nations land in Canada. We endeavoured to understand ARC's adherence to agreements with surrounding communities governing the development of property on which ARC operates. We wanted to understand any contributions ARC would make in relation to the agreement and if any royalty rate changes would occur. During our discussion, they outlined an agreement with the Halfway River People, with which they affirmed that they had a good relationship. Under this agreement, they had settled on an amount for support for land restoration. They committed to ensuring an understanding with the Halfway River People before sanctioning development of their Attachie field. Additionally, ARC plans to spend 5% of the capital allocated to the project on initiatives benefiting the Halfway River community.

Labour standards and practices

We are deeply committed to ensuring that the companies in which we invest adhere to both local and international human rights standards. We recognise the complexities of operating in diverse jurisdictions, where local laws may differ from international norms. Our approach is nuanced, avoiding a one-size-fits-all strategy. When engaging with a company that is accused of violating international human rights frameworks, we follow a constructive approach. This involves gathering information through multiple dialogues and independent sources, where possible. This enables us to make informed decisions on the appropriate course of action on a case-by-case basis.

We engaged with the Chinese sportswear and sports equipment company Li Ning to discuss the risk of forced labour in their supply chain, based on their region of operation. We requested further detail regarding the context of the issue and the processes in place to ensure that there were no instances of forced labour within their supply chain. They explained the due diligence processes concerning suppliers, including the supplier audit processes along with examples of procedures. In the preceding year, they conducted audits on over 30% of their suppliers. These audited suppliers represented their largest suppliers by order volume, resulting in a significant proportion of total order volume being audited. We expressed our preference for auditing all tier one suppliers. In response, they indicated their intention to likely audit 100% of

The community in which a business operates holds particular importance in certain sectors and regions.

tier one suppliers in the next two to three years. We also asked them to provide better disclosure on certain aspects to clarify their position on this and the structures in place to prevent forced labour.

During the year we engaged with the South Korean online platform Naver about allegations of violations of labour law related to unpaid overtime wages. The company clarified that the non-payment stemmed from an outdated system, which they have since replaced. They have also paid the wages. In addition, we requested detail from the Brazilian food distributor Sendas Distribuidora regarding the high number of labour claims and its relationships with labour unions.

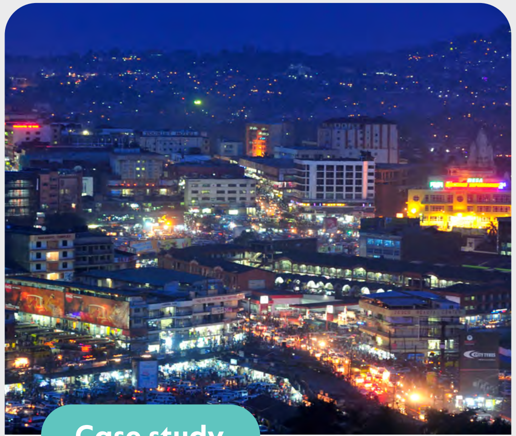
Other social issues

We engaged on a number of other social matters throughout the year. Among these was a discussion with Glencore, where we requested improved disclosure around the social implications of the energy transition going forward.

We are mindful that climate change and the shift towards sustainable energy could have profound social implications in South Africa, especially if it is not coordinated in an orderly manner.

They stated that quantifying the impact will require significant effort, but they are committed to understanding the local requirements and will actively engage with relevant stakeholders in key jurisdictions. We are mindful that climate change and the shift towards sustainable energy could have profound social implications in South Africa, especially if it is not coordinated in an orderly manner. This is particularly concerning in a nation already grappling with high unemployment. We will continue to engage to deepen our understanding of these impacts, and to advocate for better disclosure where necessary.

ESG considerations do not only represent risks but also offer investment opportunities, and the United Nations Sustainable Development Goals (SDGs) can be a powerful way to identify and map impactful companies. The Ugandan electricity distributor Umeme is an example of a company with a strong investment case that is making a meaningful difference in addressing a number of the SDGs. +



Case study

Umeme's impact on the lives of ordinary African citizens

COMPANY

UMEME

REGION

UGANDA AND KENYA

OUTCOME

POSITIVE SOCIAL IMPACT

One of the businesses we own in the Africa Frontiers Strategy is the main Ugandan electricity distributor, Umeme. Umeme operates a 20-year electricity distribution concession from the Government of Uganda that took effect in March 2005. As an electricity distributor, Umeme is licensed to distribute and supply electricity to its customers. These can be households, commercial or industrial customers. The business involves the operation, maintenance, and upgrade of the electricity distribution infrastructure (power lines, transformers, substations, etc.), electricity retail, payment collection and the provision of related services. Umeme distributes 97% of the Ugandan grid power and is vital to the country's operation. Umeme was listed in 2012 and is currently listed in Uganda and Kenya. We have been shareholders since 2013 and currently own just over 6% of the company on behalf of our clients.

Over the past two decades Umeme has made a truly massive impact on the lives of Ugandans. The customer base has increased from 294 000 in 2005 to 1.8 million as at June 2023. The past five years have seen an annual average of 131 000 new connections added. This includes the tough Covid-19 pandemic period when Umeme's ability to operate was restricted. The company has worked closely with the government and other agencies like the African Development Bank and the World Bank to improve electricity access in the country. Partnering with these organisations has allowed more customers to access electricity for free or at a subsidised rate which is in line with government plans to increase electricity access and electrification in the country.

Umeme has more than doubled the network length from 16 000km in 2005 to 40 642km in 2022 and increased transformer zones from 6 000 in 2005 to 15 542 in 2022. The company has also rehabilitated and constructed new substations across the footprint to improve supply reliability and now boasts 74 substations across the country.

Not only has the breadth of the network increased, but the efficiency has improved as well. The company increased distribution efficiency from 50% in 2005 to 83% by the end of 2021. The company has reduced energy losses from 38% in 2005 to 16.5% by the end of June 2023. This progress is on account of increased loss reduction activities in local communities, an increase in new connections, and network optimisation. The company also recently insourced some fieldwork previously carried out by third-party contractors, and this has had positive outcomes in the loss reduction efforts.

Umeme is just one example of the positive impact that companies in our strategies are having on the communities around them. Importantly, as shareholders the positive impact has not only been felt by Ugandan consumers but by shareholders as well. Umeme was the third largest contributor to the Africa Strategy's performance over the past 12 months and second largest over the past three and five years. +

FIGURE 35: MAPPING UMEME'S ACTIVITIES WITH THE SDGs

Affordable and clean energy
Umeme improves access to affordable, reliable and modern energy services by efficiently distributing electricity to an increasing number of Ugandans and works to decrease energy losses.

7 Affordable & clean energy

Industry, innovation and infrastructure
Umeme supports economic development and human well-being by building electricity distribution infrastructure.

9 Industry, innovation and infrastructure

Reduced inequalities
Umeme contributes to greater equality by promoting economic inclusion through improved access to electricity.

10 Reduced inequalities

Sustainable cities and communities
Umeme contributes to more resilient cities by improving access to basic services.

11 Sustainable cities and communities

Partnerships for the goals
By working closely with agencies such as the African Development Bank and the World Bank, Umeme is mobilising additional resources for developing countries.

17 Partnerships for the goals

Effective board leadership

The fourth iteration of the King Code on Corporate Governance (King IV) was first published in 2016. It strongly emphasised the need for independent non-executive directors on the boards of companies. Independence is, of course, a very important consideration. We continue to advocate strongly for appropriate independent oversight within investee companies. However, as important as independence may be, we believe that it is only one of the many qualities of a good non-executive director.

Wherever there is complexity in life, there are inevitable trade-offs that need to be made. Since no individual can bring everything to the table, compromises are unavoidable if a company is to appoint a balanced board that can succeed in the very demanding undertaking of exercising ethical and effective leadership (which is how the Code ultimately defines corporate governance).

At the time of King IV's release, we feared an unintended consequence – that in the single-minded pursuit of director independence, companies (and the shareholders who are required to vote for those appointments) would not put sufficient weight on the need for skilled directors with business acumen and decades of business experience. In the cut and thrust of the boardroom, we believe that these are practical necessities if a non-executive director is to succeed in acting as a check and balance over the executive and truly hold management teams to account.

In the years since King IV's release, we believe that our concerns have been realised. We have seen an obsessive pursuit of independence, to such an extent that many institutional shareholders will automatically vote against directors with more than nine years of service – even if those directors can add tremendous value, have rare skills (in a skill-short environment) and a deep knowledge of the company. As a consequence, the quality of many South African boards has suffered as they have steadily lost credible directors with the business acumen and experience needed to effectively lead a company.

Many high-quality, commercially-minded candidates with a desire to give back to corporate SA have told us that they sadly will not consider board appointments. A myopic focus on narrowly prescribed governance criteria has reduced the crucial role of corporate governance to a by-rote, box-ticking exercise. As a consequence, we hear repeatedly from frustrated directors that too little time is left at board meetings to interrogate the key business issues that will ultimately dictate the success or failure of that business. As a result, many boards fall short of achieving the overriding objective of any board – that of providing the effective leadership that is required for the business to thrive and create value for all stakeholders.

This note bears testimony to the value that a non-executive director with the necessary business acumen and experience can add to a company whose board they serve on. Over the last five years, we have had the privilege of working with one such director, Mr Mike Bosman, in his role as chairperson of two separate, but equally challenged, businesses.

A prime example

Our first engagement with Mr Bosman was when he was appointed chairperson of the Spur Group. As we have catalogued in many stewardship reports over the years, Spur was a problematic investment for us. It was plagued by poor governance, pervasive conflicts of interest, and a very flawed remuneration process. Our issues were not addressed by the board, despite multiple engagements and several years of voting against resolutions at their AGMs. After many years of our concerns being ignored, we collaborated with other investors and voted against a number of its directors. This necessitated the appointment of some new directors, the first of whom was Mr Bosman.

It was immediately clear to us that we were dealing with a new paradigm. Mr Bosman was keen to meet with shareholders to discuss their concerns and, once these engagements were held, he immediately set about making many of the changes that were needed for Spur to return to its winning ways.

First, he overhauled the board, spending much time identifying capable directors who could competently cover key areas and, at the same time, improve the overall diversity of the board. Five years later, the company is fortunate to have a smaller, more skilled, diverse, and engaged board.

As the new board made the necessary changes to its remuneration process and removed the conflicts between the company and its franchisees, it became apparent that the executive team needed to be overhauled. Over time, a new CEO, CFO and COO were appointed. This team has executed very well, initially through the Covid period and very strongly since then.

We hear repeatedly from frustrated directors that too little time is left at board meetings to interrogate the key business issues that will ultimately dictate the success or failure of that business.

One of the most impressive contributions of the new board has been its excellent allocation of capital. This is an area that governance codes tend to pay very little attention to. It is a very particular skill set and one in which many professional board members have little experience. In many cases, they end up simply deferring to the executive. Mr Bosman's extensive business acumen enabled him to identify significant flaws in the existing capital allocation framework and to remedy historic mistakes. Under his watch, the company cut loss-making ventures in non-core geographies and initiated a very accretive share buyback programme.

Fortuitously for the Group, Mr Bosman's appointment coincided with the outbreak of the Covid pandemic. We believe that without his substantial experience, strong leadership, and ability to take decisive action, the impact of the associated economic lockdown on Spur and its stakeholders would have been far more severe. Since then, the company has moved from strength to strength, outperforming its quick service restaurant peers and delivering superb returns for its shareholders.

Two for two

As fate would have it, a company one vowel different, the SPAR Group, would soon be needing Mr Bosman's services. While it is a larger business, with extensive operations abroad, it has a similar organisational structure, but with its stores run by independent retailers (while the Group's focus is building and maintaining the brand, sourcing, and distributing stock for its retailers).

SPAR was also suffering from several governance failures that had compounded and become an existential threat to the business and all its stakeholders. Many of these issues echoed the challenges at Spur, with concerns over conflicts of interest and poor allocation of capital.

Although the SA business had performed reasonably well over the preceding decade, margins had come under increasing pressure. There were also mounting signs that all was not well between the Group and its retailers. Then, in 2020, a serious breakdown between SPAR and one of its largest independent retailers saw the Group head to court in a bid to remove the operator and take over the related stores. In addition, there were allegations of undeclared conflicts of interest between executive management and the company, racism and disputes with black retailers, questionable accounting, and ignoring whistleblower reports.

We were very concerned. The company faced many serious allegations of governance failures and its board lacked both the necessary independence and the skill set needed to steer the company through these challenging waters.

At around this time, the Group undertook a material re-platforming of its warehouse system to SAP. Very cognisant of the number of failed (and expensive) SAP implementations in SA, we interrogated the executive robustly over the progress and the plans in place to ensure a low-risk implementation. We were provided with many assurances that they were on top of the issues and that they had appointed the appropriate skills to manage the process.

In late 2022, new allegations surfaced, implying that the newly appointed CEO had been involved in various accounting misstatements relating to fictitious loan agreements in his previous role in the Group. Given the seriousness of these allegations, we felt we could no longer engage with the board constituted in its current form. We scheduled a call with the lead independent non-executive director to inform him of our decision to vote against the current chairperson's re-election at the upcoming AGM. We also recommended Mr Bosman as a good potential candidate for the role. Soon after this, the Group announced that Mr Bosman would be appointed as the new chairperson of SPAR's board (this was subsequently supported by shareholders at the next AGM).

The company faced many serious allegations of governance failures and its board lacked both the necessary independence and the skill set needed to steer the company through these challenging waters.

He immediately applied himself to dealing with the many governance issues plaguing the Group. One of these was commissioning a legal and accounting review of the allegations against the then-CEO. The conclusion of this review saw the incumbent step down in early January, with Mr Bosman assuming the role of interim CEO until a new, suitable appointment could be made.

There are very few non-executive directors today with the experience and competence needed to confidently assume the demanding role of interim CEO of a large multinational corporation. That Mr Bosman was not only able to do so but was also willing to do so, speaks highly of his skill set as well as his acknowledgement of his fiduciary responsibilities as a director.

In this period Mr Bosman also set about strengthening the board of SPAR. In so doing, he addressed one of the key concerns we had previously raised with the lead independent director, that of an alarming lack of retailing and IT skills on the board.

Unfortunately, it was not a smooth ride on the operational side of the business. It became evident a few months later that the SAP project had gone completely awry. This resulted in a failed implementation and significantly impaired service levels to stores. Thankfully, Mr Bosman, in his role as acting CEO, was well-equipped to take many far-reaching decisions on how to deal with the situation and how to position the business for recovery.

By the middle of the year, the board had finalised the recruitment process and selected a new CEO (from within the Group). In recognition of the many operational challenges the company was facing, it also appointed an externally sourced COO to help resolve them. This freed Mr Bosman up to deal with the next shareholder concern, that of its underperforming business in Poland.

Under the watch of the previous board and CEO, the Group had purchased a failing Polish business, with the intent of building out a SPAR solution in Poland. Despite many attempts to boost customer loyalty ratios (the amount of goods franchisees buy from the central company-owned distribution centres), after a number of years they had failed to get to the levels needed for the business to generate a profit. Mr Bosman and a newly appointed non-executive director with deep retail experience spearheaded a review of the Polish business, the net result of which was the decision to exit. This was another good outcome for stakeholders as shareholder capital was protected and the Group could prioritise and focus its resources on more pressing issues.

It is still early days in the turnaround at SPAR, and there is much uncertainty as to the final outcome. However, we believe that the Group is much better placed to face its challenges as a result of the considerable efforts put in by Mr Bosman and the new board to improve governance and the calibre of people in its business.

Conclusion

Our view is that our industry needs to rethink the notion of director independence. It is a multifaceted characteristic that needs to be approached in a more thoughtful and holistic manner, considering that:

- Not everything that counts can be measured, and not everything that can be measured counts.
- Independence certainly shouldn't be measured by as blunt a metric as board tenure; nor should it be approached through the lens of a technocratic, box-ticking framework.

We have highlighted the risks of a technocratic approach to independence throughout this section of the report. Further considerations that illustrate the point would be:

- A multitude of directors are drawn from the accounting and legal professions. Although these directors score highly in terms of being technically independent, and many serve valuable roles in important oversight responsibilities, such as on audit committees, they are often ill-equipped to truly serve as a check and balance over the executive. This is because they lack the business experience and the commercial acumen needed to challenge an executive on commercial issues. For this reason, all boards should seek to balance these accounting and legal skills with the appropriate commercial skill sets.
- Many professional independent directors who screen well for independence are technically independent of the business but financially dependent on the incomes they earn as non-executive directors. This can impair independence.

For the reasons articulated above, we believe that considerations such as the person's state of mind, their diligence and conduct at board meetings, and lastly, their integrity ought to carry far more weight in the independence assessment process.

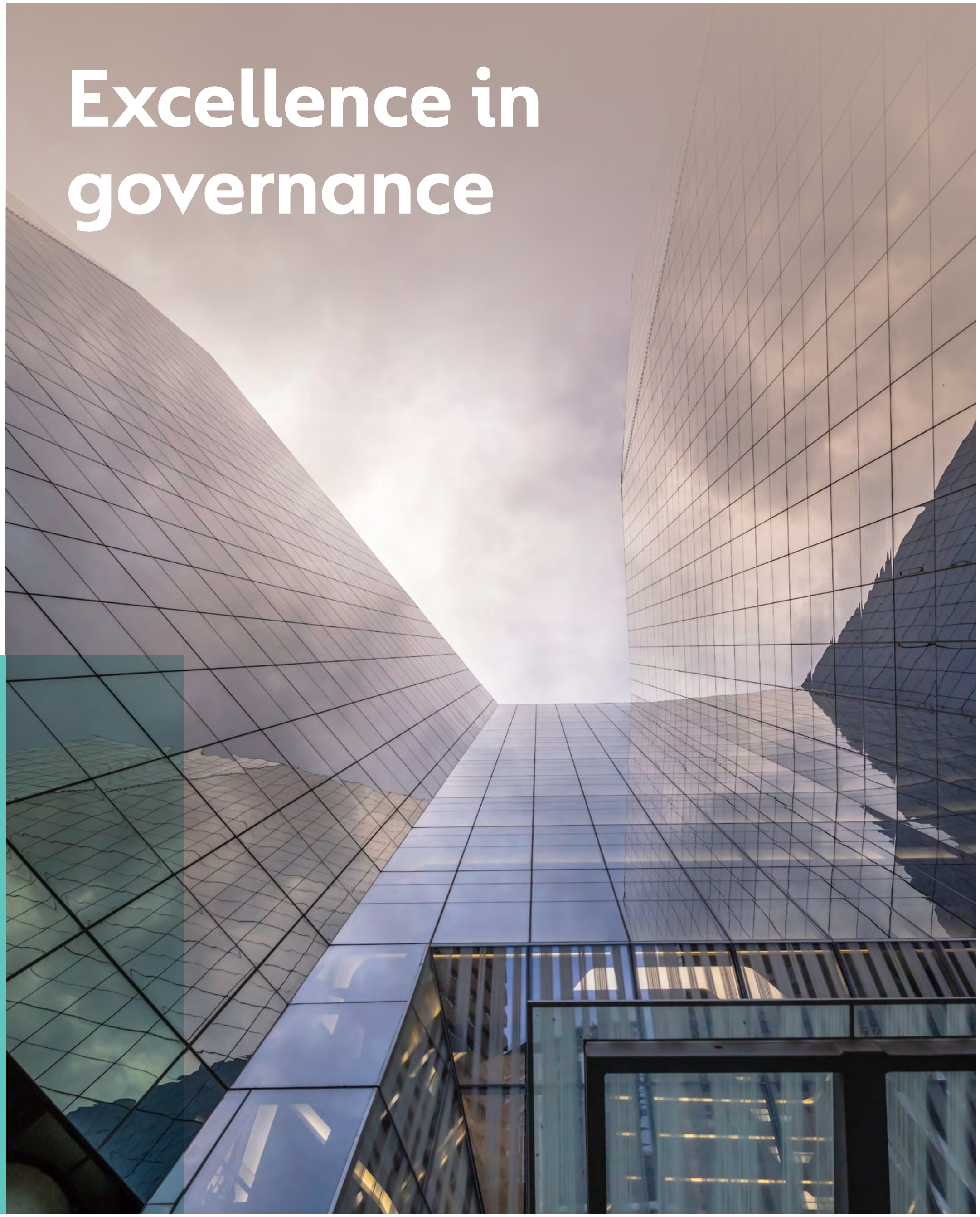
Finally, we make the impassioned point that independence is but one of many qualities that directors bring to the boards that they serve. The SA economy has performed poorly for a decade. The challenges that both executives and non-executives face in this environment are many and daunting. And it is increasingly difficult to persuade people with the right skills to join boards.

In the preceding case studies, an independent chairperson was desperately needed to address numerous governance failures. But much more than that was needed for the companies to be stabilised and the foundations built out for a more prosperous future. In both cases, stakeholders were very lucky to get a non-executive with Mr Bosman's skill set and appetite for taking on a challenge.

There are many variables that need to be solved in the process of identifying and appointing suitable directors. If corporate SA does not place enough weight on directors' skill set, diligence, experience and value-add, then it will lose its hard-won reputation of being a stand-out emerging market in terms of its governance. +

Not everything that counts can be measured, and not everything that can be measured counts.

Excellence in governance



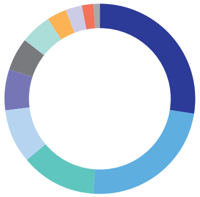
Good corporate governance lies at the heart of ensuring that organisations have the skills, structures and incentives to foster long-term business success. We evaluate companies on a broad range of governance issues, engaging with those where we feel improvements are required. In 2023, executive remuneration continued to be a significant focus, accounting for nearly 24% of our governance-related engagement activities (Figure 36). Our approach to evaluating a company's remuneration policy is holistic and balanced, aiming to ensure that executive incentives align with long-term value creation. Other focus areas included capital structure, board composition, succession planning, and audit and reporting processes.

Capital structure

The capital structure of a company has a direct impact on shareholder value. As such, we actively engage with investee companies to ensure companies maintain a well-considered capital structure that will maximise shareholder value on a sustainable basis.

The majority of our engagements on capital structure relate to our policy to routinely vote against resolutions that allow the general authority to place unissued shares under the control of the directors and for directors to issue shares for cash. As share issuance has the potential to be materially dilutive to existing shareholders, Coronation prefers to vote on specific instances of equity issuance, considering both the terms and the reasons for the additional capital required.

FIGURE 36: ENGAGEMENT THEME – GOVERNANCE



- 27.8% Capital structure
- 23.5% Remuneration
- 12.7% Board structure
- 9.3% Other governance
- 6.9% Audit and reporting
- 5.6% Succession planning
- 5.3% Sustainability reporting
- 3.4% Executive leadership issues
- 2.6% Conflicts of interest
- 1.9% Shareholder rights
- 1.1% Sustainable finance

Group holding companies can also have complex capital structures that result in the market price of the holding company stock trading at a significant discount to the value of the underlying businesses. In 2023, we continued our engagements with Naspers, with the aim to narrow the company discount that has persisted for many years.

Another significant portion of our engagements on capital structure relates to share buybacks. Our stance is that engaging in share buybacks, when the company's share price is undervalued, presents an opportunity to invest in a company that the management team and board know and understand better than any potential external capital allocation opportunity. In these cases, buybacks can enhance the value per share and release cash that investors can redirect

Case study

Driving shareholder value

COMPANY	**REGION**
NASPERS/ PROSUS	**GLOBAL**
ACTION	**OUTCOME**
LETTERS, IN-PERSON MEETINGS, VIDEO CALLS	**POSITIVE**

Naspers is a global consumer internet group operating across multiple platforms and one of the largest technology investors in the world. Naspers is the biggest listed company on the Johannesburg Stock Exchange (JSE) and, as of September 2019, the group's international assets are listed in a separate entity, Prosus, on Euronext Amsterdam. Prosus also has a secondary listing on the JSE, with the companies sharing a single board of directors.

Naspers was an early investor in what is now the Chinese media and technology giant Tencent, and Naspers' growth over the past decade has contributed significantly to the performance of our client portfolios. However, both Naspers and Prosus have been trading at a significant discount to the value of their underlying assets for a number of years.

Issue

In August 2021, in an attempt to address the discount, a cross-shareholding structure between Naspers and Prosus was implemented in which Prosus bought 45% of Naspers' shares via a share exchange, bringing its ownership in Naspers to 49%. Under the arrangement, Naspers owned approximately 57% of Prosus. This structure was created because management believed that both the size of Naspers in the JSE index and the lack of free float for Prosus were two major contributing factors to the existence of the significant discount to net asset value. It was management's view that the transaction would reduce the size of Naspers in the JSE index and increase the free float of Prosus.

While we agree that these factors played a role in the existence of the net asset value discount, we believed that the primary driver of the discount was market concerns around capital allocation along with potential tax leakage due to the holding company structure.

Our concern was that the creation of a cross-shareholding structure would create additional complexity and therefore potentially a higher net asset value discount, which would achieve the opposite of what was intended with this structure.

Action

We held extensive engagements with management and the board, including in-person meetings, calls and letters to the board of directors. In these interactions we expressed our view that removing the cross-shareholding structure should be a priority. We also encouraged the establishment of an open-ended buyback programme, funded by the selling of Tencent shares and using these proceeds to buy back Prosus shares. We believed that due to the size of the discount, this could create immense shareholder value. In particular, we believed that for as long as Prosus traded at a discount to the value of its holding in Tencent, this corporate action would result in permanent NAV accretion on a per share basis.

Outcome

In June 2022, the company announced an open-ended buyback, which aligned very closely with our proposal.

The shareholder accretion from this buyback has been immense thus far. As of the last reporting period (30 September 2023) the buyback has created $25bn in value, achieving a 7% NAV accretion per share for Prosus and 8% for Naspers. There remains a discount to their shareholding in Tencent and whilst this discount is smaller today, the open-ended buyback continues to create value for shareholders.

The cross-shareholding was also addressed by management in August 2023. The cross-shareholdings were unwound with Naspers now owning 43% of Prosus and Prosus having no ownership of Naspers. This was in line with our recommendations to the company, has reduced complexity and was received favourably by the market. +

to other opportunities rather than requiring management and boards to pursue external investment opportunities where they may have limited experience. Consequently, where we believe a share to be undervalued, we advocate for companies to benchmark any capital allocation decision against the return available from buying back their own shares. For example, we engaged with Li Ning to recommend that they pursue a share buyback to return value to shareholders. We motivated our reasons by referencing our thought leadership and research on this issue to demonstrate the value added. They subsequently announced and commenced a buyback process.

We also engage on specific equity issuances where we believe these issuances to be inappropriate. We discussed a bonus share issue from 2022 with Commercial International Bank for the first time in 2022. We believed that it added no economic value and carried large transaction costs for GDR holders. The company was reluctant to stop the issuance of bonus shares as local investors had requested this but indicated that they would approach the custodian, seeking a waiver of fees in an effort to reduce costs. In 2023, the company confirmed that they had started discussions with the custodian and assured us that no additional bonus shares would be issued during 2023. We will continue to engage on this matter, advocating for the protection of long-term value on behalf of our clients.

In addition, we will notify companies where we are dissatisfied with the issuance of convertible bonds, which can optically reduce a company's cost of finance, but often comes at the expense of significant dilution. We expressed our disappointment to Delivery Hero regarding the anticipated shareholder dilution resulting from the convertible bond issuance. We believe that the share is significantly undervalued and according to our calculations, there should have been sufficient liquidity headroom at the trough. Subsequently they have committed to no equity or equity-linked issuances at the current share price.

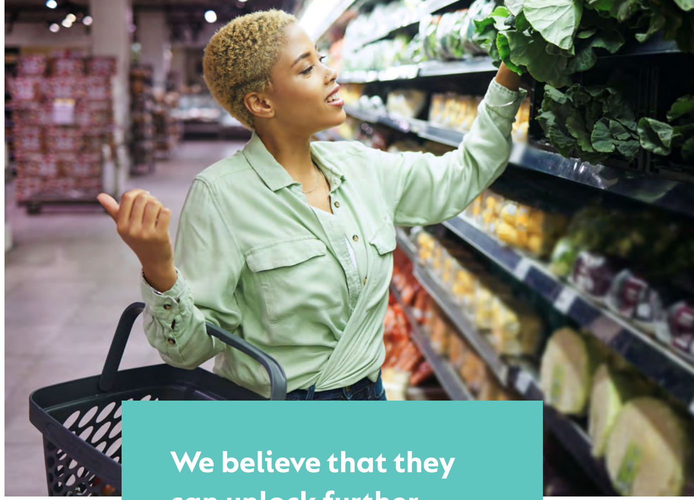
Our engagement journey with the diversified Canadian mining company Teck is an example of how we engaged on capital structure to improve shareholder returns. (See case study on page 69.)

Remuneration

Remuneration serves as a powerful incentive for executives and management, influencing their actions and priorities. The structure and components of compensation packages are crucial in directing their conduct. Policies need to be appropriate to drive behaviour that is aligned with the interests of relevant stakeholders. We engaged with companies in instances where we planned to vote against their remuneration policy and/or its implementation, as well as in cases where we planned to vote in favour of a policy but had recommendations for its enhancement. Engagement on remuneration to request changes to policies often is a multi-year endeavour with changes reflected only in subsequent year's reports. Therefore, many engagements on remuneration from the previous year would still be ongoing, until we have access to the following year's remuneration policy. Where sufficient changes are not observed in subsequent reports we will continue to engage and vote accordingly.

One of the core issues with executive remuneration policies is ensuring that the key performance indicators (KPIs) against which they are assessed are appropriate. We engaged with a number of companies to recommend improvements to their scorecards for their short-term incentives (STIs) and long-term incentives (LTIs). For example, we recommended Woolworths to include a revenue-linked KPI in their executive compensation plans, noting their previous emphasis on cost control and optimising their store footprint. We believe that they can unlock further value by expanding their presence in areas in which they are underrepresented, and executives should be incentivised accordingly. Conversely, we communicated to Absa that we preferred for them to exclude total shareholder return from their KPIs, advocating for metrics that management can influence more directly. We will continue to monitor progress on these matters.

In addition, in cases where the targets for specific KPIs are not sufficiently challenging, we request that the company includes more stringent thresholds. We expressed to The Foschini Group (TFG) that we felt that their financial targets were set too low. Most notably, their 2024 headline earnings per share target was set lower than the 2023 target. After extensive engagement with TFG's head of remuneration and chair of the remuneration committee, we elected to maintain our view and vote against the remuneration implementation report. The vote obtained low levels of shareholder support. We have had preliminary engagements with the remuneration committee in 2024 to discuss the policy changes at a high level. We await the publication of the next remuneration report in order to assess the appropriateness of the HEPS target for 2025. We will continue to engage and consider our options with regard to voting should we be dissatisfied with the next remuneration report.



We believe that they can unlock further value by expanding their presence in areas in which they are underrepresented, and executives should be incentivised accordingly.

When assessing remuneration policies, we consider the nuance of each company's specific circumstances. For example, we noted to Vodacom that we would like to see the growth targets linked to inflation in the underlying

Long-term value creation can be incentivised by ensuring that the LTI extends over an appropriate time period.

countries of operation in order to stimulate suitable levels of progress. This is important when dealing with regions which have significantly higher levels of inflation

Furthermore, it is important to tie variable remuneration to performance incentive measures. For example, we highlighted to Prosus that one of our main concerns with their remuneration policy was the lack of appropriate performance hurdles within some of their LTI schemes.

Ensuring alignment of management to shareholders is crucial. One of the ways that a remuneration committee can do this is by issuing equity to management. We suggested to Capitec that they issue direct equity as part of remuneration rather than options because it drives better shareholder alignment. They confirmed to us in a subsequent engagement that the new policy would include nil cost options, which would create equity alignment of management to shareholders. Furthermore, long-term value creation can be incentivised by ensuring that the LTI extends over an appropriate time period. In 2023, our engagement with Nedbank involved requesting an extension of their current three-year vesting period to a three- to five-year period, aiming to drive long-term value creation.

We continued our discussions on the inclusion of malus and clawback mechanisms in remuneration, which had been ongoing since 2019. 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. We believe that this helps act as a disincentive mechanism to deter fraud. In 2023, we requested clawback provisions from the Brazilian food distribution company Sendas Distribuidora.

Golden handshakes refer to generous financial compensation paid to executives leaving the company. We routinely vote against remuneration policies and/or implementation reports which contain golden handshakes, as we prefer to pay for future performance rather than having shareholder returns reduced to pay for someone who is no longer providing value to the company. We engaged with and voted against Curro's remuneration policy and implementation thereof as we felt the payment to the departing CEO was inappropriate.

Where appropriate, we engage to encourage ESG targets to be linked to remuneration. We questioned FirstRand about their inclusion of climate KPIs only in their STIs and not the LTIs. They responded that they were comfortable with the current inclusion in the STIs and that there is a penalisation mechanism that would allow for a reduction of LTIs if the climate targets are not achieved. They committed to an ongoing evaluation of their approach. We were satisfied that the implementation of their climate strategy is included in both the STIs and LTIs, even if not an explicit KPI.

Other aspects which we engage on routinely include excessive remuneration, insufficient disclosure to adequately assess the remuneration policy and inadequate implementation of the remuneration policy.

Board structure

As the Board of Directors is responsible for the overall governance and strategic direction of an organisation, the composition of the board can contribute to value creation or lead to value destruction. As shareholders, we are required to vote on the election and re-election of directors on a periodic basis. Coupled with the voting decision is the requirement to engage where we vote against a proposal, to engage where we require additional information or want to make certain suggestions. An appropriate balance of independent directors is an important component of board composition as it allows for better oversight and more objective decision-making. We engaged with Grab Holdings, a Singaporean multinational technological company, to address concerns about the composition of their board, including a discussion around the balance of independence among its members. They informed us that one of the non-independent members of the board was stepping down and would be replaced by two independent directors. This will result in a majority of the board being independent, aligning more closely with the principles of good governance.

King IV recommends that a non-executive should be re-assessed for independence after serving for a tenure of nine years. This is in line with our approach per our proxy voting policy. We do not apply this as a blanket rule whereby we vote against a director purely based on long tenure. Our policy is that the analyst needs to apply rigorous judgement in order to conclude whether their independence has been compromised and whether due to other board composition considerations, we should vote to retain the individual in question on the board or to remove them. Our engagement with Lewis is an example of where we agreed to support a chairperson whose tenure exceeded nine years. We engaged with the company to understand their position in this regard. They stated that the chairperson had extensive experience and needed to support the continuity of a relatively new board slate. We agreed to support the resolution under the condition that they initiate a process to find a replacement now and ensure that a successor is appointed before the next re-election cycle.

Board diversity is important from the perspective of transformation and also often improves company risk management. We consider both gender and racial diversity in assessing the composition of the board and management.

The size of a board is also an important consideration. It is crucial to ensure that there are enough board members with the requisite skills to be able to dedicate the necessary time and provide the necessary oversight of the organisation. Conversely, a board should not be so big that it undermines the effectiveness of the board dynamic. This is nuanced and depends on the nature of the company under assessment. In 2023, we engaged with Equity Bank, an African financial services company, to inquire about why they wanted to increase their board size. They confirmed that this was due to the increase in the number of business segments which increase the scope of responsibility. We deemed this as reasonable and voted in favour of this resolution at their AGM.

As a company's operating environment changes, it is important for the balance of skills of the current board to evolve. With the shift toward a digital landscape, it is increasingly important for all companies to ensure that they have IT skills on the board where it is a material aspect of their operations. We engaged with Nedbank during the year to express our concern regarding what we believe is an insufficient representation of IT and digital skills. This is an issue for all South African banks. We will continue to monitor the board skill composition and engage where we deem the skill balance to be unsatisfactory.

Directors up for election must possess the requisite time to commit to their oversight duties effectively. In evaluating nominees, we consider their other responsibilities to ascertain if they are suitable candidates for the role, based on their capacity. For example, we voted against a director at China Resources Beer as we believed that the individual's commitments to other boards could impede his ability to dedicate the time required to fulfil his fiduciary responsibilities.

With the shift toward a digital landscape, it is increasingly important for all companies to ensure that they have IT skills on the board where it is a material aspect of their operations.

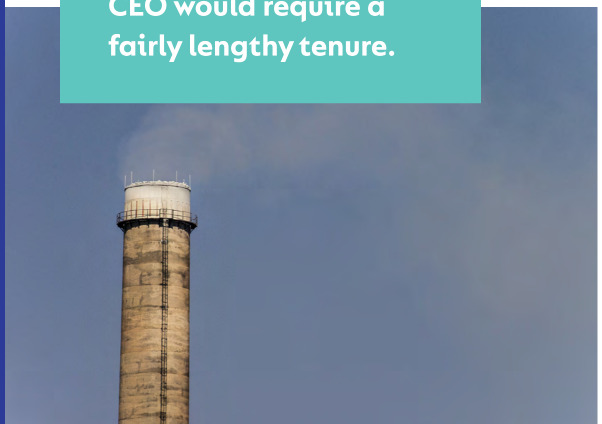
Role separation, such as having distinct positions for CEO and chairperson, is crucial for upholding principles of good governance. At the Brazilian Bank Nu Holdings we abstained against the re-election of the combined CEO and chair. While we believe that it is appropriate for him to be on the Board as CEO, we do not support the combined role.

Our engagement and voting on other issues relating to board composition included voting against management proposals due to insufficient information to be able to assess the appropriateness of the proposed candidate, general engagements to request additional information, discussions around board changes, engagement on minority shareholder-proposed candidates, voting against directors proposed as a slate rather than allowing for individual assessment and voting of each director, and directing our votes toward our preferred candidate in jurisdictions that call for cumulative voting systems.

Audit and reporting

As part of our proxy voting policy, we routinely vote against audit firms who have had tenure in excess of 10 years, as we believe this is important to maintain auditor independence. We will engage with the companies to notify them where we have voted against this and the related reasons. 7% of our votes on auditors were against management proposals.

Given that the business will be required to significantly transition to meet their 2050 climate goals, the next CEO would require a fairly lengthy tenure.



Furthermore, we will engage and vote on issues related to audit fees where appropriate. We voted against the Brazilian oil and gas producer Seacrest Petroleo's auditors as we did not have sufficient disclosure to assess the appropriateness of the audit fees. In addition, we voted against the reappointment of China Merchants Bank's auditors as an outsized portion of their fees related to non-audit work. We believe that this may potentially compromise their independence and, therefore, is inappropriate.

Succession planning

We engage on various aspects relating to management and board succession planning. Where there are significant board changes or resignations, we will engage to understand the reasons for this and the progress on finding replacements. In 2023, we engaged with FirstRand to query a number of management changes and the risk of losing key individuals. They stated that the talent pool is deep and that replacements have been made from within the group. The changes were implemented concurrently to minimise disruption to business operations. In addition, we discussed the risk of losing a key individual within the group and their view on how they have mitigated this risk. We were comfortable with the appointments made and noted that the chairperson, a previous CEO of FirstRand, has the requisite experience to enable a smooth transition period amidst these management changes.

When a company is in the process of hiring new executives, they must consider various factors as they move forward in the recruitment process. This requires a large degree of company-specific and role-specific nuance. For example, we engaged with Sasol regarding the succession planning of an incoming CEO. Given that the business will be required to significantly transition to meet their 2050 climate goals, we engaged to emphasise that the next CEO would require a fairly lengthy tenure in order to see the business through this next phase. They confirmed that one of the criteria for a new CEO is ideally a 10-year commitment to the role. Subsequent to this confirmation a new CEO was appointed and we will continue to monitor and engage on the performance and tenure of the incumbent.

Where we identify that executive and management roles are likely nearing retirement or a new transition phase, we routinely engage to obtain an update on the succession planning process. We engaged with Disney given past concerns with succession planning to understand the process in place to find a new CEO. They assured us that there is a dedicated committee which has regular meetings on this topic and that potential candidates have been earmarked. We will continue to monitor company disclosure for any updates and engage to request progress on the succession planning process, where required.

We will support potential candidates for executive and board roles who we deem to add significant value. We engaged with **Union Pacific Corporation** to endorse a candidate we considered suitable for the role of CEO.

Case study

Engaging to change direction

COMPANY
UNION PACIFIC CORPORATION

REGION
UNITED STATES

ACTION
LETTERS

OUTCOME
POSITIVE

Union Pacific is one of two class I freight railroads serving the western US, alongside Berkshire-Hathaway-owned Burlington Northern Santa Fé.

Union Pacific's network, like the capillary system in a human's body, is a critical enabler of the US economy.

The capital investment required, and the regulatory hurdles make it near-impossible to replicate its network today. The network has a very long average haul length, which enhances its competitiveness against trucking companies. The longer the haul, the greater the competitive advantage in transport costs relative to trucks. Union Pacific also has access to the high-volume West Coast ports and more crossings into Mexico than any other North American freight railway.

Issue

Union Pacific was struggling to regain service levels in late 2022, post-pandemic. On 26 February 2023, a large shareholder wrote to the company, highlighting the weak operational and financial performance relative to its North American peers and recommending replacing the CEO. On the same day, the company announced that the CEO would be stepping down and that the board would work to find a replacement. Our preference for a replacement CEO was Jim Vena. He had 40 years of railroad experience, was COO of Canadian National, another class I railroad, from 2013 to 2016 and was COO of Union Pacific from 2019 to 2020, a period during which operational performance had picked up. Having withdrawn from the Canadian National CEO race in 2021, and not holding an executive position at one of the other class 1 railroads, we knew he was likely available for the job.

The activist released a presentation to the public with their view of what needed to change at the company, and we noted that they had, indeed, proposed Mr Vena.

The first quarter results in 2023 did not show an operational turnaround at the company. Intermodal and manifest volume trip plan compliance (a measure of compliance with the rail schedule) was sitting at 72% and 61% respectively. The Surface Transport Board, a key freight rail regulator, required Union Pacific to continue submitting service progress reports as it had not met its own service-level targets. We noted that an Eastern peer was exempt from these reports, suggesting the issues were not industry-wide, but specific to Union Pacific.

Action

We wrote a letter to the board on 26 May 2023 to support the proposal to appoint Jim Vena as the CEO. We were concerned that a lengthy CEO search process would allow further operational deterioration. At the same time, it seemed that a candidate who had the experience, skills, capability, and shareholder support was readily available for the job.

Outcome

We were extremely pleased to receive the news that Jim Vena was appointed as CEO of Union Pacific on 26 July 2023. While it is still early in his role, operational performance is improving, with intermodal and manifest trip plan compliance now sitting at 85% and 70% respectively, 13 and 9 percentage points better than Q1 2023. +

Executive leadership issues

Unfortunately, instances of poor conduct among executives at our investee companies may occur. We will engage as appropriate to obtain a better understanding and suggest changes where appropriate.

Where we are concerned that the resignation of an executive may have been due to inappropriate circumstances, we will request further detail. For example, we engaged with a major REIT for information regarding the sudden resignation of an executive director. The company assured us that there was nothing sinister about the resignation and that the executive in question wanted to focus on other opportunities. We had no residual concerns and were satisfied with the replacement appointed.

We will vote against executive leadership at AGMs where we do not feel that they are appropriate for the role. During the year, we voted against the CEO of an SA REIT due to concerns regarding his suitability for the role as, in our view, his actions over the past two years have favoured the interests of shareholders of one share class over the others.

Sustainability reporting

The ESG reporting space has evolved considerably over the past few years, with companies at significantly different stages of maturity in their reporting journeys. We will engage with companies to provide our view on ways to improve their reporting, and on the key issues that would enable us to integrate ESG into our investment process. For example, we engaged with the South African REIT Dipula to guide them on our ESG priority areas. Their reporting advisors also attended this meeting.

When evaluating a company's sustainability report, country-specific nuance needs to be considered in order to perform a holistic assessment. We engaged with PwC in Vietnam to get a view on progress with ESG reporting in this country to inform our holistic assessments of individual companies in Vietnam. According to PwC's assessment, Vietnam is still lagging other countries on ESG regulations. Although regulators are encouraging companies to adhere to global best practice, the reporting requirements are not yet sufficient to drive widespread adoption and consistency of ESG reporting.

We attended Woolworths Food's Sustainability Day. This gave us insight into the initiatives reflected in their Good Business Journey Report and given our conclusion that sustainability is deeply embedded in Woolworths, and their progress toward their 2025 and 2040 targets, it reaffirmed our view that our current premium on the stock valuation is still appropriate.

We also engage on specific issues or themes within ESG reporting, advocating for improved quality of disclosure. Examples of this include requesting better data privacy and related governance structure disclosure for some of our emerging market companies (refer to page 43 for the case study).

Another key theme in 2023 was climate reporting. Climate reporting engagement mainly encompassed a continuation of our TCFD project (refer to case study on page 28) and engagement around specific aspects of climate disclosure. We engaged with Amazon to request more granular disclosure as well as wider coverage of their scope 3 emissions (refer to case study on page 40). We also had a call with the petroleum company Ovintiv to discuss the use of estimation in compiling the reported methane emissions and the level of certainty that the company has around the reported numbers. They are piloting solutions for continuous methane monitoring and are working toward reducing the proportion of estimated emissions (as compared to measured emissions) over time.

Sustainable finance

We engaged on sustainable finance both from the perspective of looking at sustainability-linked issuance and looking at ESG incorporation into financial and lending processes. We met with Nedbank in 2023 to understand the developments in this market and their endeavours in this domain. They explained the changes in global and local issuance and reiterated that banks are still the largest issuers of green bonds, primarily driven by financing renewable energy projects. We have participated in over R2.9 billion of green bond and sustainability-linked issuances since 2021. This included issuers such as Standard Bank, Absa, Pan African Resources and Netcare, among others. The use of proceeds and sustainability performance targets primarily relate to renewable energy projects, but also include energy and water efficiency, greenhouse gas reduction targets, safety and affordable housing-related targets.

In another call with Nedbank our objective was to understand the updates they have implemented in their sustainability framework for bond issuances. We probed them on the necessity for alignment between investors and issuers, and we inquired whether their framework allowed for the pricing benefit to be transferred to underlying clients. They confirmed that their base view is to structure pricing benefits and penalties symmetrically and that their framework already ensures that the pricing benefit is passed on to underlying clients.

In addition, we had a detailed discussion with HDFC Bank about the enhancements to their ESG-related due diligence processes linked to their lending activities and some of the challenges of operating a bank in an emerging market context (refer to page 26 for case study).

Other governance issues

We also engaged on numerous other issues relating to governance. Among these engagements were instances where we felt that the rights of minority shareholders were not being adequately protected, such as in the case of the container-lessor Textainer. (See case study on page 72.)

Conflicts of interest can undermine the independence of management and the board and prevent them from acting in the best interests of all stakeholders. We noted a conflict of interest with the Sasol chairperson, who had an indirect shareholding in a company that has a business relationship with Sasol. We engaged to understand the process of managing conflicts of interest and potential conflicts of interest. After this, the chairperson subsequently resigned.

Our engagements with the Nigerian oil and gas company **Seplat** demonstrate how we responded to related-party transactions and conflicts of interest at this company. +

We have participated in over R2.9 billion of green bond and sustainability-linked issuances since 2021.

Case study

Eliminating related-party transactions

COMPANY	REGION
SEPLAT ENERGY	NIGERIA

ACTION	OUTCOME
LETTERS AND MEETINGS	POSITIVE

The past year saw significant progress in eliminating related-party transactions at the Nigerian oil and gas company, Seplat. Having transitioned away from being only an oil company, by investing in gas processing plants over the past decade, Seplat now supplies a large portion of the gas for Nigeria's gas-fired power plants. As such, this company is one of the leaders in transitioning Nigeria's energy mix away from oil.

Issue

However, as we detailed in the 2021 Stewardship Report, we were concerned about related-party transactions (RPTs) and in particular a large transaction between the company and its chairman at the time. We believed the transaction did not make commercial sense for Seplat and, in our view, Seplat effectively stepped in to settle the debt of a company owned by its chairman.

Following our engagements with the management team, the chairman announced in November 2021 that he would step down, and one of the independent non-executive directors resigned. In December 2021, the Seplat board also removed the former CEO from his position as a non-executive director.

In addition to the restructuring of the board of directors, Seplat made the commitment to eliminate RPT's entirely from 2022 onwards.

The company made significant progress in this regard, reducing related-party transactions from about \$100m in 2014 to about \$3m in 2022. While this is a significant improvement, we were still disappointed to see that the majority of the remaining RPTs were for "services" paid to companies owned by the former chairman.

Action

We had a call with the CEO in 2022 to understand the nature of these services, to highlight our concerns with these payments to the former chairman's company and to emphasise that the company should stand by what they committed to previously – which is to eliminate RPTs completely.

Outcome

In March 2023, the company announced that the consultancy agreement with the ex-Chairman's company was terminated.

Following the board changes and management's actions to eliminate RPTs, we are optimistic that the conflicts of interests we have seen at Seplat will be a thing of the past. Seplat has quality assets, and its gas business is particularly attractive. However, with Seplat trading on a mid single-digit PE multiple, there is clearly a significant ESG discount embedded in the share price. We believe that by stewarding the company to better ESG practices, this discount will close and consequently add value to our client portfolios. +

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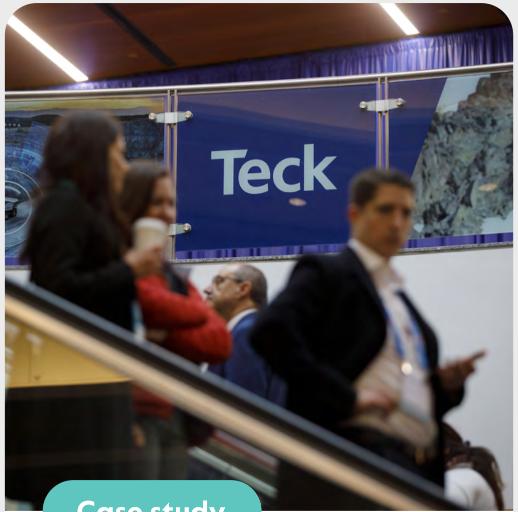


Case study

Advocating for shareholder rights

COMPANY	REGION
TECK RESOURCES	CANADA

ACTION	OUTCOME
MEETINGS	POSITIVE

Teck Resources is a diversified Canadian mining company with a history spanning more than a century. Teck owns and operates 10 mines in Canada and the Americas. The majority of its revenue derives from steelmaking coal, copper and zinc.

We owned Teck in our global and resources funds between 2021 and 2023. When we initially invested, Teck was constructing a world-class greenfield copper mine in Chile, with the potential to double its copper production. In our view, the market did not adequately reflect the potential value that could be created for shareholders through this project. Our work finds the fundamentals of the copper market attractive, as we believe that it will see strong demand growth from the clean energy revolution, which requires much more of this highly conductive material. While there are always risks in building new mines (one of the reasons why it will be difficult for supply to meet the growing demand for copper), we believed that Teck offered attractive risk-adjusted upside to fair value. We also liked its exposure to metallurgical coal, a key ingredient in steelmaking, believing future supply will remain constrained due to insufficient investment from investors concerned about coal exposure and who do not always differentiate between energy and steelmaking coal.

It is worth noting that Teck is generally seen as a responsible corporate citizen, and our interactions with the company confirmed this view. Their ESG credentials are recognised by independent rating agencies, with Sustainalytics rating them second amongst peers and S&P Global rating them fourth in the mining industry.

Actions

As shareholders, we engaged with Teck on various topics over time. In September 2022, we had the opportunity to engage directly with the Chairman of the board, Sheila A. Murray, and the Chairman of the remuneration and nominations committee, Ed Dowling. A wide range of topics was discussed, including:

- **The performance of the Quebrada Branca 2 copper project:** By that stage, the project had suffered serious delays and cost overruns, mostly due to Covid.
- **The need to divest from their Fort Hills tar sands operation:** From a climate change perspective, the methods used to extract oil from tar sands cause high levels of carbon emissions and can have severe consequences for ecosystems, especially in areas with high biodiversity value. We normally exclude any company involved in the extraction of oil from tar sands, although in this case, only 5.3% of revenue was derived from this operation and they announced that they were looking to dispose of their stake.
- **The dual class share structure:** Teck's class A shares carried 100 times the voting power of class B shares. This allowed the family of the mining magnate Norman Keevil to exercise negative control with 33% of the voting power while only owning 1% of the economic interest. Together with their partner, Sumitomo, they controlled 45% of the votes. Dual class shares disenfranchise minority shareholders and deprive them of a proportional say in a company's affairs. Teck agreed with us that the dual class share structure has served the company well over its history, allowing them to resist the institutional imperative and take a longer-term view, but that it was no longer

appropriate to treat various shareholders differently going forward.

- **Audit firm rotation:** PricewaterhouseCoopers (PwC) has been Teck's auditor since 1968. PwC implements mandatory audit partner rotation every five years, but Coronation strongly believes that in order to ensure confidence of the market in the independence and rigour of the audit process, audit firms should be changed at least every decade. Teck committed to investigating mandatory audit firm rotation.
- **General corporate strategy**
- **Management remuneration**

During our engagement, they shared their preference for focusing on "future metals" – those metals that would benefit from the demand created by the energy transition. They also mentioned that they were exploring ways to potentially separate or sell their steelmaking coal operations but believed this ought to be done responsibly. They believed they needed to ensure that in whatever form the coal operations continue they should continue to operate with high environmental standards and provide a livelihood for their employees and support to the communities within which they operate.

Spinning off steelmaking coal and further actions

In February 2023, Teck announced a very complicated transaction in which they would spin off their steelmaking coal operations to shareholders. The complications involved were necessitated by the company's requirement for access to capital to fund the expansion of their base metals business. The owners of the steelmaking coal business would only get 10% of the cash generated for the first five years. This was facilitated by a complicated financial structure involving preference shares and royalty agreements.

In addition, the spin-off included an agreement to collapse the dual voting structure for a very reasonable premium, but also scheduled to take place six years after the initiation of the agreement.

We found the complexity of the proposed deal baffling, although we recognised that the separation and eventual collapse of the dual share structure at a fair price would be beneficial for shareholders.

In March 2023, we had a call with the CEO of Teck to discuss general business performance and their motivation for the structure. We noted with some concern that it seemed a major motivation for the deal appeared to be a desire to secure a higher multiple for the base metal assets in the financial markets as soon as possible, while still relying on coal funding. We had reservations about this financial maneuvering. With a vote looming at the end of April, we underwent extensive analysis to understand the relative valuations of the two companies when an alternative deal was introduced.

In early April, major diversified miner Glencore made an offer to acquire all of Teck. Its proposal involved merging the coal businesses of both companies and spinning them off while retaining the base metals business. Their proposal was a much simpler plan, although it posed potential implementation challenges and would require several years to obtain all necessary approvals and for the separation to yield the envisaged benefits. Glencore cleverly launched its proposal before the vote on unbundling, effectively shifting the decision to a choice between its proposal and management's original one.

Teck's initial response to Glencore's offer was, in our opinion, too hasty. Firstly, their board rejected the offer out of hand, secondly their controlling shareholder made it clear that they would not accept any deal from Glencore, whereas previously they indicated that they would respect the will of other shareholders. Teck was adamant that the vote on its proposal would go ahead, and if not passed, the status quo would be maintained.

Our view was that the offer introduced new information and that shareholders deserved time to consider this new proposal, and that in the interests of all stakeholders, management should delay the vote instead of rushing it through. There were persistent rumours of other companies interested in Teck's assets and we believed that all options should be fully explored before deciding on a specific action. We were not the only shareholders to feel this way, and major proxy voting advisors ISS and Glass Lewis also recommended shareholders vote against Teck's proposal in order to "encourage the company to engage in further dialogue with Glencore".

The week before the scheduled vote was intense, with both Teck and Glencore sweetening their proposals. In a video conference with the company during this period, we shared our view that the best course of action for shareholders would be to delay the vote. It became clear to the company that it would not be able to pass its separation proposal with the required two thirds majority, and it pulled the vote on the day it was supposed to take place.

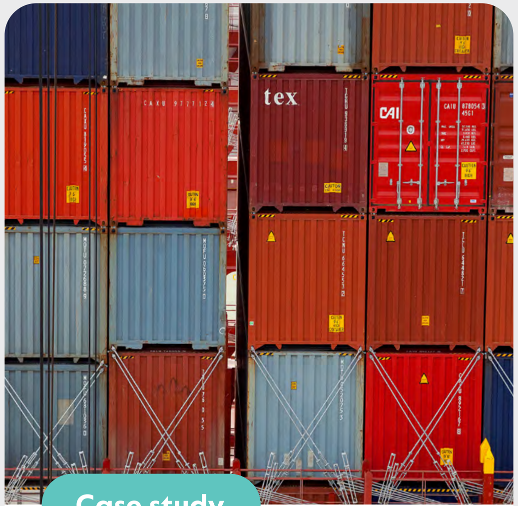
Outcome

Teck announced the sale of its interest in the Fort Hills tar sands project in October 2022, and the transaction was concluded in March 2023. The vote on the collapse of the dual share classes went ahead at the meeting in late April 2023, and was passed. We considered both developments as a positive outcome for shareholders.

In November 2023, Glencore made a cash offer for Teck's steelmaking coal operations that was slightly better and much cleaner than the offer that was made during the frenetic period before the scheduled vote. The new offer did not include a complicated structure, transitional arrangement or a lengthy delay before separation and should be much quicker to implement. This was accepted by Teck's board, and the transaction is expected to close in the third quarter of 2024.

We were one of a number of shareholders and stakeholders advocating that management delay the vote on their separation proposal. That the company eventually listened to shareholders is a credit to management and to the board, who ensured that the right outcome was secured for shareholders.

Teck Resources is a good example of how a company and board willing to engage with and listen to shareholders together with an involved shareholder base can lead to good outcomes for stakeholders across various aspects of ESG. +



Case study

A successful conclusion to a multi-year engagement journey

COMPANY	REGION
TEXTAINER	US AND SOUTH AFRICA

ACTION	OUTCOME
VOTING	POSITIVE VALUE UNLOCK

Our multi-year engagement journey with the container-lessor Textainer reached a satisfactory conclusion during 2023, unlocking significant value within our client portfolios.

Issue

Our engagements with the company date back to 2019 and include successfully addressing concerns related to remuneration and climate impact disclosure as well as facilitating board renewal. The remaining outstanding governance issue we wished to resolve was a major hurdle where certain articles in the company bylaws prevented it from being acquired in a "hostile" take-over.

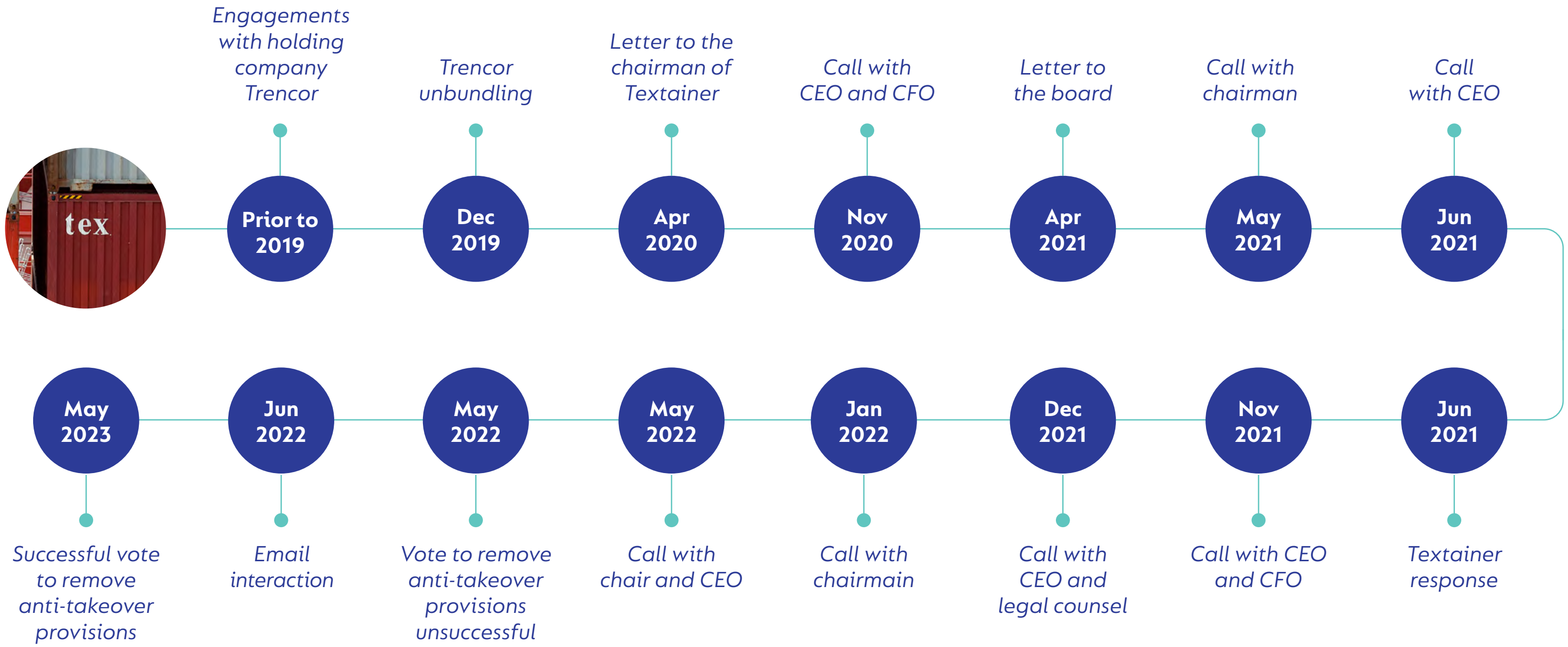
While such provisions are not as uncommon in mid-cap US companies as they are in South Africa and the UK, we advocated for their removal as they were not in the interest of minority shareholders. (Textainer is incorporated in Bermuda and registered as a foreign issuer on the New York Stock Exchange (NYSE), with an inward listing on the JSE.) Such measures have the potential to disenfranchise shareholders, leaving the decision to accept a potential offer for the company at the sole discretion of the board. This concern was particularly pertinent given that the company was trading far below its fair value, where the prospect of an offer was always a possibility.

Action

After a series of engagements with Coronation spanning several years, the board was finally convinced to table a resolution to remove the anti-takeover provisions in the bylaws of the company at the May 2022 AGM. The shareholder votes did not reach the super-majority required to remove these provisions. A post-mortem conducted with the management of the company suggested that there had been considerable movement in the shareholder base, and shareholders that had joined recently did not fully appreciate the implications of the resolution on which they were asked to vote. In a company with a diverse shareholder base, comprising a significant component of individual retail investors, educating shareholders and communicating with them presented ongoing challenges.

Undeterred, management resolved to table the same resolution at the May 2023 AGM, supported by better information and investor education. This time, the required majority was indeed achieved, and the by-law was duly removed.

A multi-year engagement journey



Outcome

The result was a positive conclusion to our governance engagement as it resulted in driving shareholder value unlock. Around the time of the Textainer AGM, an offer was made for Textainer's biggest global competitor, Triton, by Brookfield Infrastructure Fund. This highlighted the value in container lessors to such infrastructure players. Within five months of the AGM, an offer was received for the entire share capital of Textainer, in this case by Stonepeak, another infrastructure fund.

This could not have happened if the poison pill had not been removed. At 1.25x net asset value, and a 46% premium to the share price on the day, Textainer's board recommended that shareholders accept the offer. We agreed that this offer represented an attractive exit level in relation to our assessment of fair value. The quoted share price immediately reflected the value unlock, and we were able to dispose of our entire shareholding in a matter of days, thus bringing our multi-year involvement with this investment to a satisfying conclusion, having delivered significant value to client portfolios. +

The result was a positive conclusion to our governance engagement as it resulted in driving shareholder value unlock.

Advocacy

Throughout 2023, we remained steadfast in our commitment to promoting an investment industry that serves the long-term interests of asset owners and benefits the societies in which we operate. Collaborating closely with industry partners and regulators, we actively participated in various industry bodies and collaborative initiatives, advocating for policies and regulations aligned with our objectives.

Advocacy serves as a powerful tool for tackling systemic challenges, including ensuring financial market stability, combating climate change, and fostering social stability. We firmly believe that collective industry effort is often essential to address the root causes of these risks. Through our active engagement in industry consultations in 2023, we continued to advocate for a policy framework that minimises systemic risks.

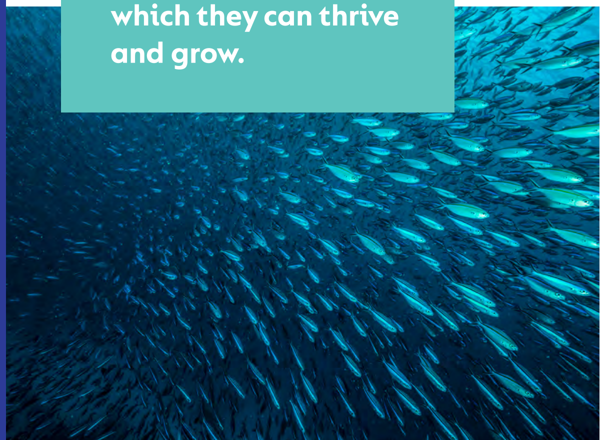
Our approach to advocacy

As a significant role player in the South African financial services sector, a large part of our advocacy effort focuses on advancing effective legislation and regulation of South Africa's financial services industry. Additionally, for our business to be sustainable, we recognise the need for a vibrant, growth-oriented and inclusive economy, prompting us to engage beyond our industry for broader systemic change.

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 33 of our employees serving on six technical board committees and 48 standing committees and working groups within ASISA, we actively contribute to shaping the direction of the South African savings market. Our CEO is chairman of ASISA and a member of ASISA's executive committee. In 2023, we participated in 170 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), the CEO Initiative and, when required, through direct engagement with regulators.

The financial services industry does not operate in isolation. The companies in which we invest need an environment in which they can thrive and grow.



Shaping a sustainable industry

Transformation

In 2023, we continued to participate in initiatives aimed at transforming the South African financial services industry and the broader economy. We worked with our industry partners and the broader business community via ASISA, BLSA and BUSA to advocate for policies and strategies that promote transformation and diversity, as well as fair and sustainable economic development in South Africa.

In 2023, the Financial Sector Conduct Authority (FSCA) issued its final Financial Sector Transformation Strategy, aimed at fostering a cohesive approach to transformation within the financial services sector. The strategy was finalised after stakeholder input (including our own) was provided to the FSCA following publication of a draft version of the strategy in 2022.

We also provided input on the draft Employment Equity Regulations published by the Department of Employment and Labour on 12 May 2023. The regulations seek to identify and set employment equity targets for each national economic sector. Coronation, via ASISA, provided comments on the draft regulations, culminating in the second draft of the regulations being published on 1 February 2024. This second version is still out for comment and comments are due within 90 days from the date of republication. We are in the process of analysing the latest version and will continue to provide constructive feedback on the proposed legislation through our industry partners.

In addition, we provided feedback to ASISA on the skills development element of the Financial Sector Transformation Council (FSTC) scorecard. ASISA, alongside other industry bodies, conveyed this feedback to the FSTC.

Enhancing retirement outcomes for South Africans

In 2023, we witnessed significant progress in implementing the two-pot system, a substantial reform aimed at addressing a historical weakness in the South African retirement fund market. This reform, prompted by the financial strains of COVID-related lockdowns, seeks to strike a balance between compulsory savings preservation and members' access to funds during financial emergencies.

The reform will divide future retirement fund contributions into two pots: two-thirds of contributions will be allocated to a "retirement pot", which must be strictly preserved until retirement, and one-third will be allocated to a "savings pot", which is accessible annually, with the intention that it should be used for financial emergencies.

Throughout this period, we actively engaged with industry partners to provide constructive feedback to National Treasury on the design of the system. This included feedback on an initial set of draft legislation that was published by National Treasury for comment during 2022. In 2023, following stakeholder consultation, National Treasury published a second round of draft legislation with the intention of promulgating the new regulations in advance of an implementation date in 2024.

Throughout our engagements on this matter, we have communicated our view that the two-pot system will enable improved member outcomes provided it is implemented carefully and effectively.

One of the risks to a successful implementation is the targeted implementation date of 1 September 2024, given the complexity of the system and process changes required, and the need for proper member education about rules that will govern the new system.

Another key risk relates to an initial "seeding" amount that will be made available to all members on the implementation date, whereby members will be given access to a portion of their accumulated ("vested") savings on the date on which the two-pot system goes live. It is critical to the long-term sustainability of the retirement system that this initial seed payment is only allowed once, and that additional lump sum withdrawals from members' retirement pots and vested pots are not allowed. After the seeding has taken place, the only amounts that should be accessible to members should be the balances available in their savings pots.

Despite these hurdles, we remain optimistic that these changes can result in a retirement system that improves retirement outcomes for members by providing for compulsory preservation alongside a clear framework for access.

Legislation changes

In 2023, an updated version of the Companies Amendment Bill was published with the parliamentary portfolio committee on Trade, Industry and Competition inviting the public to submit comments on the latest version. This was an update on the draft Bill that was published in 2021 and contained no substantive changes. Our comments on the updated version were in line with our prior submission in 2021. Of particular concern are additional remuneration-related provisions, and notably a proposal that shareholder votes on remuneration would become binding, mandating directors to stand down for re-election if a remuneration report is rejected. We highlighted our concerns with these amendments, emphasising the distinct responsibilities of shareholders and the board. Directors are obligated to balance stakeholder interests and act in the company's best interest, requiring specialised skills often found on remuneration committees. We stressed the need for boards to address remuneration matters swiftly and decisively, cautioning against the uncertainty created by the need to make remuneration packages subject to shareholder approval. We believe that votes on remuneration policies and reports should remain non-binding and that avenues should be created to enable companies to give shareholders an opportunity to engage with them to address their concerns.

The two-pot system will enable improved member outcomes provided it is implemented carefully and effectively.

Supporting financial market stability

ASISA investment and systemic risk board committees

In 2023, 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.

During 2023, this included a review by the SARB's Financial Sector Contingency Forum (FSCF) of systemic risks within the financial services industry, with a concerted effort to develop an industry plan to address risks, particularly focusing on responses to a potential grid failure.

We also participated in the ASISA Systemic Risk Board Committee, which considered a range of matters impacting systemic risk, including margining practices, non-bank leverage, 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 afterward. As with prior years, we actively participated in these discussions, debating interest rates, data interpretation, and policy outlooks.

Additionally, we continued to communicate with the Reserve Bank on key issues. In 2023, this included changes to the Quarterly Projection Model, considerations relating to accessing the Gold and Foreign Exchange Contingency Reserve Account (GFECRA), 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.

JSE Simplification Project

Following a May 2022 consultation on JSE listing requirements, the JSE initiated a Simplification Project in September 2023 to effectively review and rewrite the JSE Listings Requirements with an objective that includes:

- streamlining regulations by eliminating outdated rules;
- converting complex language into plain language;
- reducing bureaucracy;
- removing ambiguity, duplication and matters that are purely administrative in nature; and
- using the opportunity to introduce other appropriate changes.

The Simplification Project is being implemented by the JSE through a phased approach, which involves the JSE reviewing a selection of sections from the JSE Listings Requirements in each phase and then giving the public an opportunity to comment on the proposed amendments to the

relevant sections. We welcome the objectives of the Simplification Project and have been actively participating in the ongoing consultation process.

Fighting for action on climate change

Climate Action 100+

Climate Action 100+ (CA 100+) 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. We were a collaborating investor on Eskom (the state-owned electricity provider) and an individual engager on Sasol.

In 2023, we had seven engagements with the Sasol board and management. Initially, concerns were raised regarding the lack of disclosure in the Climate Change Report (CCR) and the need for more information on achieving Sasol's 2030 goals. Subsequently, ongoing dialogue led to increased disclosure during the latest Capital Markets Day, outlining investments required and timelines for renewable energy sourcing and emission reduction initiatives. Despite imperfect information, it's acknowledged that Sasol remains committed to its 2030 greenhouse gas emission reduction targets. Additionally, progress has been noted in Sasol's remuneration policy, particularly in setting more appropriate Key Performance Indicators (KPIs), including safety and environmental metrics alongside financial ones.

In 2023, we focused on engaging directly with Eskom officials and energy experts.

Due to Eskom's planned unbundling and recent changes in executive leadership, engagement efforts via CA100+ have been largely on hold. Over the past year, there have been no group engagement meetings with the company; instead, Eskom has conducted bilateral discussions with lead investors. In 2023, we focused on engaging directly with Eskom officials and energy experts to discuss various topics, including the outlook for loadshedding[14], power projects, private generation plans, resolving transmission issues and better understanding the challenges facing the Medupi and Kusile power plants.

In 2023, CA100+ launched its Phase 2 campaign. The first phase of the initiative focused on encouraging companies to provide comprehensive information about their environmental risks and impacts. Building on this foundation, Phase 2 now shifts its emphasis towards encouraging companies to take tangible actions to reduce greenhouse gas emissions.

The initial phase played a crucial role in ensuring that companies with significant emissions levels offered transparent and comparable emissions disclosures. With this information now available, it is imperative to engage with these companies to understand their emission reduction strategies, and to advocate for improved practices. However, there have recently been some notable investor departures from the CA100+ initiative for various stated reasons. Notwithstanding these departures, we view Phase 2 as a natural progression for the CA100+ initiative, aligning with its objective of promoting action on climate change.

Open letter to governments on the water crisis by the CDP

CDP (formerly the Carbon Disclosure Project) is a global non-profit organisation that works to encourage companies and governments to measure, disclose, manage, and reduce their environmental impact. Through our membership of the CDP, we have access to valuable data on companies' climate, water and forestry performance, which helps us to assess and engage with our investee companies on their environmental risks and opportunities.

[14] *Loadshedding is power cuts implemented by Eskom when the power utility does not have enough grid capacity to meet the demand*

In 2023, we were signatories to an open letter published by the CDP calling on governments to:

- Enhance their 2030 National Sustainable Development Strategies.
- Set ambitious, short-term water targets and provide a clear plan.
- Enact policies to meet targets, encourage private investment, and take impactful actions before 2030 (such as efficient pricing mechanisms and just transition plans).
- Introduce mandatory water disclosure rules following global standards.

As signatories to CDP, we also engaged in their Plastics Survey, providing insights into the types of data required to address plastics-related challenges effectively. We joined CDP in 2022.

Sustainable finance

In August 2023, we responded to a Sustainable Finance Survey conducted by the Financial Sector Conduct Authority (FSCA). This included questions on organisational ESG policies, practices, disclosure, challenges, and views on suggested solutions. As part of our response, we recommended the adoption of the Task Force on Climate-related Financial Disclosures (TCFD) framework for ESG and sustainable investing disclosure reporting. We emphasised the importance of advocating for TCFD reporting to enhance consistency and comparability across the market. While we endorsed the TCFD framework as best practice, we also highlighted the need for ongoing monitoring of global developments in this rapidly evolving space. We noted that the International Financial Reporting Standards (IFRS) S2, under the International Sustainability Standards Board (ISSB), is emerging as best practice for climate disclosure. IFRS S1 and IFRS S2 fully incorporate the recommendations of the TCFD. Therefore, companies starting with TCFD disclosures are well positioned to transition to ISSB disclosures if required by their jurisdiction. Furthermore, we encouraged the FSCA to provide clarity on incorporating ESG into the investment process, emphasising a principles-based approach over overly prescriptive guidance to foster thoughtful application and compliance.

We also attended two engagements hosted by the FSCA to discuss industry views on sustainable finance. The FSCA Industry Discussions on Sustainable Finance were initial engagements, serving as an opportunity to gather feedback from the investment industry on key issues and challenges, and to determine its role in addressing them.

Other climate-related activities

We were pleased to be invited to join a collaborative initiative with the Cambridge Institute for Sustainability Leadership (CISL) to develop a Nature Loss Engagement Guide. This guide aims to assist investors in gaining a deeper understanding of how to address the risks and impacts associated with nature loss. We completed a questionnaire and engaged in discussions with CISL to further develop this important resource.

In August 2023, South Africa's Prudential Authority (PA) issued two draft guidance notes for public review: one on Climate-related Risk Practices for Insurers and the other on Climate-related Disclosures for Insurers. We attended a consultation workshop with the PA where an overview of the guidance notes was presented, and subsequently provided feedback on the guidance notes, through ASISA, focusing on assessing the ambition level, addressing anticipated challenges, and identifying areas not covered in each note.

Throughout the year, we participated in various surveys to contribute to the advancement of climate-related disclosures and practices. This included:

- The TCFD Asset Manager Survey, conducted by the Task Force on Climate-related Financial Disclosures (TCFD), which aimed to assess climate-related financial reporting practices among asset managers and asset owners. The TCFD published aggregate survey results in its 2023 status report, providing insight into TCFD-aligned reporting practices and challenges within the industry.
- The Henley Business School ESG practices survey. This sought to understand how ESG factors are considered, the extent to which they are integrated into strategy and barriers to adoption of ESG within JSE-listed firms.
- The World Business Council for Sustainable Development (WBCSD) survey on climate-related topics for COP 28, focusing on carbon accounting, reporting, target setting, and transition planning. Based on the findings of the discussion they endeavoured to put together a Leader Guide to be presented at COP 28.

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Codes of conduct and governance

Principles for Responsible Investment (PRI) reporting and assessment

In 2023, we once again took part in the PRI's annual reporting and assessment review, which requires signatories to report on their responsible investment activities and how they integrate ESG considerations into their investment process. This serves as a crucial benchmark for evaluating our progress against global best practices and identifying areas for improvement. Our performance across various rating categories is summarised in Figure 37, where we received four stars across all but one of the categories in which we participated, scoring well above the median in all of these areas. The assessment provided valuable feedback on ongoing enhancements we could implement in our responsible investment practices. In particular, we are cognisant of, and understand the measures required to improve our confidence building measure score.

PRI Stewardship Resourcing Technical Working Group

In 2023, we had the privilege of participating in the PRI's Stewardship Resourcing Technical Working Group. The PRI entrusted the Thinking Ahead Institute (TAI) with the task of researching and assessing the optimal allocation of resources that institutional

FIGURE 37: CORONATION'S LATEST PRI ASSESSMENT

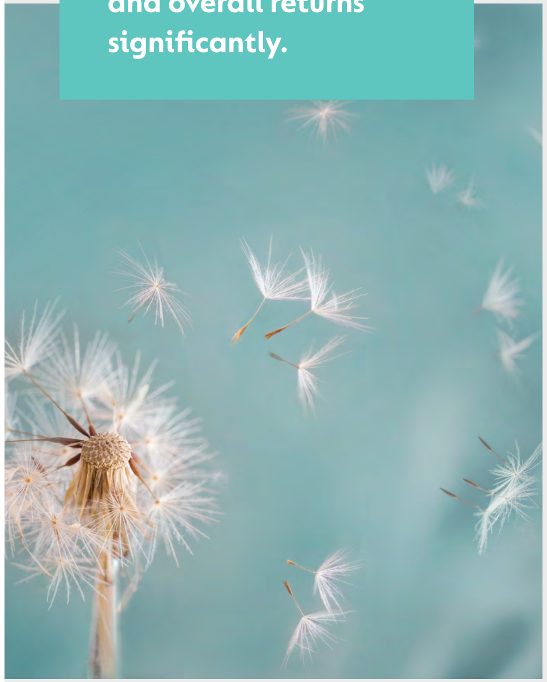
% OF AUM[15]	CATEGORY	CORONATION'S STAR RATING	CORONATION'S SCORE VS THE MEDIAN SCORE
	Policy governance and strategy	★★★★☆	90%
>50%	Direct listed equity – active fundamental	★★★★☆	86%
<10%	Direct listed equity – other	★★★★☆	86%
>10% <50%	Direct fixed income (SSA[16])	★★★★☆	85%
	Direct fixed income (corporate)		85%
<10%	Direct hedged fund – long/short equity	★★★★☆	82%
	Direct hedged fund – long/short credit	★★★★☆	82%
<10%	Direct hedged fund – multi-strategy	★★★★☆	82%
	Confidence building measures	★★☆☆☆	40%

■ Coronation score — Median score

15 *% of asset class of total Coronation AUM*
16 *Sovereign, supranational and agency debt*

Sources: PRI Assessment Report 2023; Coronation investors should dedicate to stewardship activities. These activities are crucial for addressing systemic sustainability issues that have the potential to impact portfolio value and overall returns significantly. We believe that determining the appropriate level of resources for stewardship is a fundamental question, especially as the financial industry's role in mitigating systemic risks is increasingly recognised. It is essential for the industry to allocate adequate resources to fulfill this critical function effectively.

These activities are crucial for addressing systemic sustainability issues that have the potential to impact portfolio value and overall returns significantly.



Our involvement included participating in surveys, four collaborative working group calls and one individual interview. The working group initiated the practitioner opinion survey, a pivotal step in shaping our calculation methodology. Each entity within the group completed the survey, offering valuable insights. Through collaborative discussions, we reviewed the survey results, facilitating refinements in our calculation methodology. The Global Stewardship Resourcing Survey (GSRS) was launched on 25 May 2023, targeting asset owners and managers in our industry. We actively promoted this survey. It collected stewardship resourcing data from the investment industry to enhance our understanding of current practices, resourcing, and associated costs. This data will form the cornerstone for establishing voluntary guidance on resource allocation for stewardship activities within our industry. Ultimately, the project's findings will be disseminated through a comprehensive report.

We also met with a PRI representative to talk about their work in Emerging Markets, where we discussed how we define a Just Transition in our organisation and our current approach.

ASISA Responsible Investing Standing Committee

During 2023, the ASISA Responsible Investing Standing Committee convened to discuss several key topics shaping responsible investment practices in South Africa. These discussions included considerations around updates to responsible investing practices (PRI and CRISA 2.0), emerging reporting requirements for financial services businesses, as well as initiatives relating to specific issues like climate in a South African context. These deliberations reflect ongoing efforts within the industry to enhance sustainability practices and address environmental, social, and governance (ESG) considerations in investment decision-making.

Other governance-related activities

In August, we engaged with a consultant working on a paper for the Institute of Directors in Southern Africa (IODSA) remuneration forum, focusing on shareholder views on remuneration-related voting decisions. We were asked to provide input on our specific approach to voting on remuneration, our views on how remuneration should be composed, considerations when voting on policy and implementation, general governance practices related to remuneration, and historical reasons for voting against proposed remuneration structures.

We voluntarily contributed to a voting survey conducted by Glass Lewis, a large provider of governance and proxy voting services, aimed at evaluating investor voting practices and principles. Given their role in providing recommendations and voting on behalf of investors, we felt it was important to share our voting approach and philosophy.

In 2023, we also provided comments on the FSCA's draft position paper on Open Finance. The central idea of Open Finance is that individuals should have the right to own and control the data they generate on the platforms of financial institutions, granting them the authority to share such data with appropriately authorised third parties. We expressed our support for the principles of Open Finance and suggested that the banking sector could be a good starting point given their central role in the financial services ecosystem and the prevalence of data sharing in this sector. We further noted that there is precedence in the UK for an Open Banking regulation. This precedence could offer insightful lessons that can guide the implementation of Open Finance in South Africa.

New memberships

During the year, we became a member of the National Business Initiative (NBI), an independent organisation dedicated to addressing societal issues through collaborative efforts and knowledge sharing among its members. With four key focus areas encompassing the environment, economic inclusion, social cohesion and equality, and institutional and government capacity, the NBI provides us with access to thought leadership and capacity building aimed at tackling these challenges. During our inaugural year as members, we focused on getting up to speed with the Initiative's workstreams and specific projects. This included consultations with an environmental specialist on water risk in South Africa. We also took part in a workshop hosted by the NBI and facilitated by the World Business Council for Sustainable Development. This workshop provided a platform for corporate stakeholders to collectively discuss the current state of climate-related activities in South Africa.

We also became a global corporate member of 100 Women in Finance (100WF), an organisation dedicated to advancing gender equity in the financial services industry. We were delighted to receive the 2024 EMEA Award for Diversity, Equity and Inclusion from 100WF, which recognised our achievements in expanding opportunities for women and black investment professionals.

Looking ahead

Our advocacy priorities for the upcoming years remain consistent, as we continue to direct our efforts towards addressing critical systemic challenges. Foremost among these priorities is ensuring market stability, a foundational pillar for sustainable economic growth and investor confidence. We are committed to advocating for policies and measures that promote fair and transparent market practices, mitigate risks, and foster long-term resilience in financial systems.

In parallel, we recognise the urgent need to confront the escalating threat of climate change. As such, our advocacy efforts will be dedicated to advancing policies that facilitate the just transition to a low-carbon economy, promote sustainable energy solutions, and encourage corporate responsibility in reducing greenhouse gas emissions. By advocating for ambitious climate action, we aim to contribute to global efforts to mitigate climate risks and safeguard the environment for future generations.

The Task Force on Climate-related Financial Disclosure (TCFD) was established by the Financial Stability Board to develop voluntary, consistent climate-related financial disclosures by companies to provide useful decision-making information to investors, lenders, insurers and other stakeholders. In 2023, the TCFD was formally disbanded after the Financial

Foremost among these priorities is ensuring market stability, a foundational pillar for sustainable economic growth and investor confidence.

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Stability Board acknowledged that the work of the task force was complete and transferred oversight of corporate climate disclosure to the IFRS Foundation. We will monitor developments in this regard and continue to advocate for the adoption of best practice disclosure by companies in line with the foundational principles set by the TCFD.

Furthermore, our advocacy agenda remains steadfast in addressing inequality, a pervasive issue that undermines social cohesion and economic prosperity. We are committed to advocating for policies that promote inclusive growth, equitable access to opportunities, and fair distribution of wealth and resources. This includes advocating for measures to close the gender pay gap, expand access to education and healthcare, and strengthen social safety nets to support vulnerable populations.

In summary, our advocacy priorities underscore our unwavering commitment to tackling systemic challenges such as market stability, climate change, and inequality. By advocating for meaningful reforms and policy interventions in these areas, we aim to foster a more resilient, sustainable, and equitable future for all.

Active participation

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 (IGCN), and Climate Action 100+. 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.

The Association for Savings and Investment South Africa (ASISA)

Status: Member and participant on boards and working groups

ASISA plays a significant role in the development of the social, economic and regulatory framework in which its members operate. Members include financial services companies that provide products and services to the personal investment sector. ASISA is the primary channel through which Coronation engages with policymakers and regulators.

Principles for Responsible Investment (PRI)

Status: Signatory

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

Carbon Disclosure Project (CDP)

Status: Investor signatory

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

Climate Action 100+

Status: Signatory

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

Code for Responsible Investing in South Africa

Status: Supporter

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

Business Leadership South Africa

Status: Member

Business Leadership South Africa (BLSA) is an independent association whose members include the leaders of some of South Africa's largest businesses. Its main strategic objectives include promoting inclusive growth and protecting and strengthening South Africa's core institutions. Coronation has committed itself to BLSA's integrity pledge, which is a public declaration of our commitment to combat corrupt practices by, inter alia, not acting anti-competitively and by protecting the anonymity of whistleblowers.

Thinking Ahead Institute

Status: Member and working group participant

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

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

The UK Stewardship Code

Status: Supporter and aligned to principles

We support the UK Stewardship Code, which seeks to enhance the quality of engagement between investors and companies to help improve long-term risk-adjusted returns to shareholders.

International Corporate Governance Network

Status: Member

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

Irish Funds Industry Association (Irish Funds)

Status: Member

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

100 Women in Finance

Status: Global corporate member

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

United Nations Women's Empowerment Principles

Status: Signatory

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

National Business Initiative (NBI)

Status: Member

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

Looking ahead

As we look ahead, we remain committed to our purpose of delivering superior long-term outcomes for our clients as responsible stewards of their capital. As such, we will continue to engage with companies on matters that affect their sustainability in order to drive meaningful change. Engagement is an important tool to help us better understand our investee companies and to advocate for change to support long-term value creation.

We conduct individual company engagements as well as coordinated thematic engagement projects involving several companies. We have planned engagement strategies for several ongoing thematic focus areas for 2024 and will also continue company-specific engagements on key topics.

Advocating for improved safety at South African mines

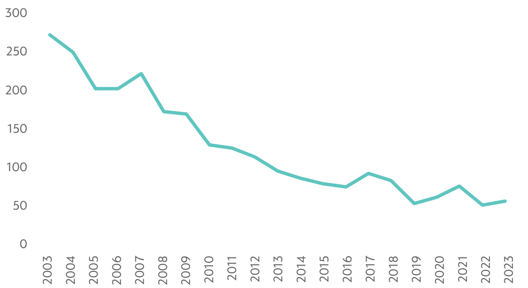
Given the significance of the resources market in our listed universe in South Africa and the substantial role of the mining sector as a major employer in South Africa, mining safety has been a key area of focus.

In 2022, we noted a worrying increase in South African mining fatalities based on the 2021 statistics. We undertook a thematic project to assess and engage with the listed mining companies to understand the key drivers of mining safety. As a result of this initiative, we developed a comprehensive database of safety outcomes, which enhances our ability to analyse and engage with company management teams on safety matters.

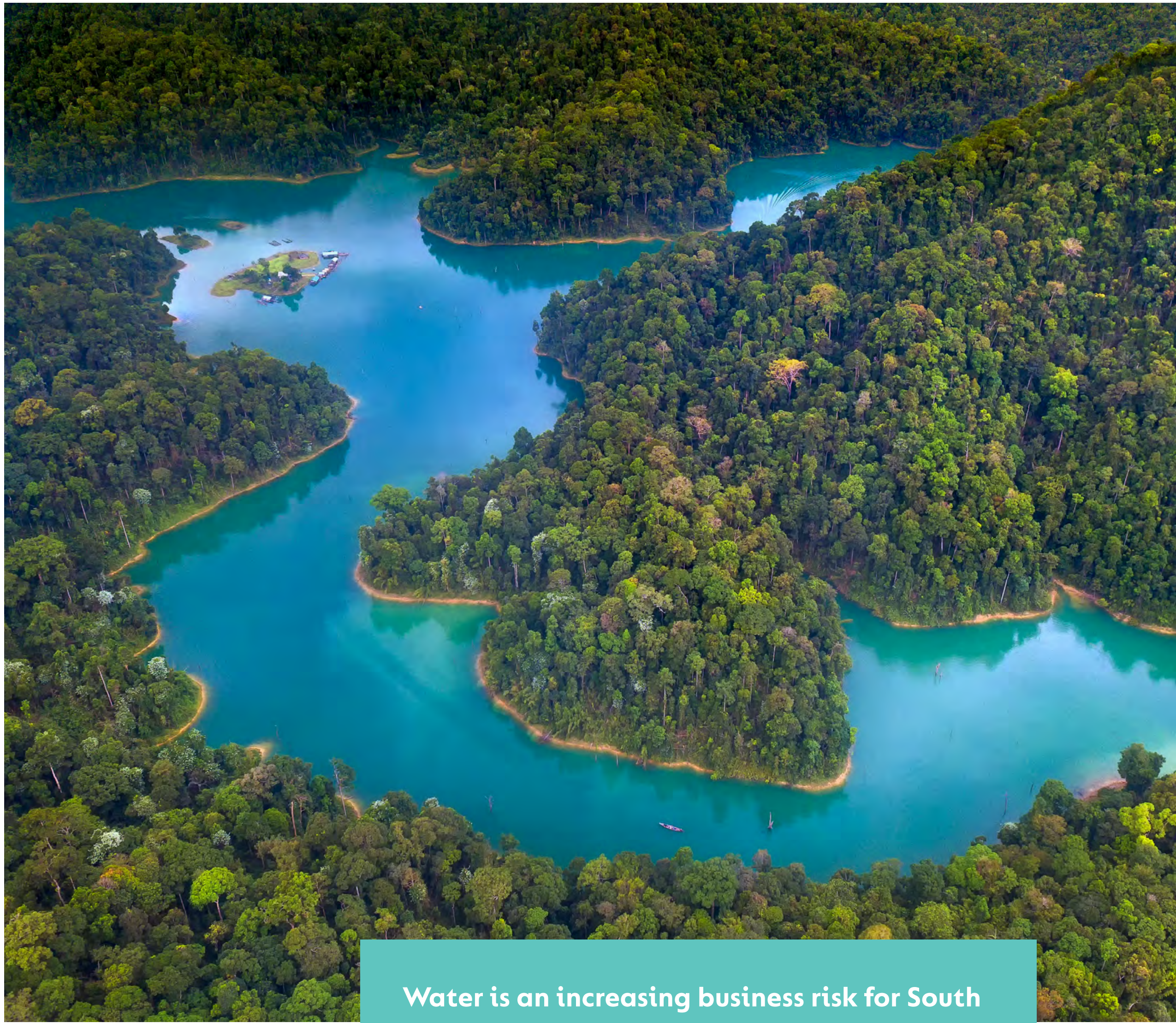
We continued to monitor injuries and fatalities at South African mining companies. Although fatalities decreased in 2022, we saw an increase again in 2023 (Figure 38).

This increase, coupled with worrying company-specific instances, has led us to the conclusion that mining safety should remain a key focus area and we will investigate further in 2024. We will analyse our mining safety data to identify companies that require further engagement. Where we see concerning trends, we will reach out to the company to understand the key drivers of the negative safety outcomes in 2023 and their planned strategy to work toward the ultimate goal of zero harm.

FIGURE 38: SA MINING FATALITIES



Source: Minerals Council of South Africa



Water is an increasing business risk for South African companies both from the perspective of climate change exacerbating water stress and deteriorating municipal infrastructure. Water risk remains a thematic area of focus across our South African investee companies.

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Ongoing engagement priorities

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

Climate change

Climate change remains a key thematic area of focus for us. This is a complex issue involving multi-decade strategies for companies to decarbonise in a holistic manner considering all the related complexities, including energy security, unintended consequences, just transition, as well as up and downstream impacts. See page 28 for more.

Board structure

Establishing and maintaining a diverse, balanced board with the requisite experience and skills that can provide effective leadership remains a key focus area. We will engage to ensure that the composition of boards of companies that we invest in is conducive to value creation for shareholders.

Water

Water is an increasing business risk for South African companies both from the perspective of climate change exacerbating water stress and deteriorating municipal infrastructure. Water risk remains a thematic area of focus across our South African investee companies. Our thematic project is detailed on page 29.

Audit and reporting

Our audit firm rotation policy requires that we do not support audit firms serving a term longer than 10 years. We will continue to engage with companies on audit tenure as we believe this is an important factor in maintaining independence.

Shareholder value

We will continue to focus on areas where we see opportunities to unlock or enhance shareholder value, or to avoid 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.

Diversity, inclusion and company culture

We will continue to advocate for diversity and gender representation on boards, as well as a diverse workforce and inclusive policies and practices in the workplace. These qualities can serve as a source of competitive advantage and enhance long-term company success.

Executive remuneration

Remuneration policies and related compensation plans will continue to be assessed on a holistic basis. We will continue to focus on ensuring that these policies support the business strategy and substantively align the interests of executive management with key company stakeholders. We will engage with companies where we identify the need for changes, with the ultimate goal of ensuring that company executives are remunerated fairly and reasonably for long-term value creation.

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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 2024 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
Climate change							●						●				
Water						●						●	●				
Mining safety								●									
Board structure					●			●		●						●	
Executive remuneration								●									
Audit and reporting																●	
Shareholder value								●									
Diversity, inclusion and company culture					●			●		●							

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, strategy, 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 approach to stewardship:** governance and oversight, stewardship responsibilities **Stewardship and Sustainable Investing Policy:** ownership and governance **Proxy Voting Policy:** ownership and governance **Integrated Annual Report:** combined assurance model, remuneration report
3. Manage conflicts of interest to put the best interests of clients and beneficiaries first		**Our approach to stewardship:** 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 approach to stewardship:** 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** **Navigating climate risk** **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** **Navigating climate risk** **Case studies**	**Stewardship and Sustainable Investing Policy:** ESG incorporation **Our approach to stewardship:** fixed income stewardship
8. Monitor and hold to account managers and/or service providers		**Our approach to stewardship** **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** **Navigating climate risk** **Case studies**	**Stewardship and Sustainable Investing Policy:** engagement with investee companies **Our approach to stewardship:** 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
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
Exercising rights and responsibilities		
12. Actively exercise their rights and responsibilities	**Engagement and proxy voting:** our voting record	**Our approach to stewardship:** Proxy voting **Stewardship and Sustainable Investing Policy:** voting **Proxy Voting Policy:** proxy voting guidelines

Alignment with CRISA 2

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 approach to stewardship** sets out how we incorporate sustainability considerations into our investment process and provides examples of the nuances in forming a holistic view and integrating into company valuations. Our **Stewardship and Sustainable Investing Policy** sets the guiding principles behind our approach and describes 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 approach to stewardship** explains how we implement our ownership responsibility through engagement and proxy voting. **Engagement and voting** (page 14) provides an overview of our activity during the year, including quantitative information to communicate the scale of activities and case studies illustrating engagements, escalations, their progress and outcomes, as well as how we exercised our voting rights. In addition, we provide an indication of the real-world impact of our engagements by mapping them to the SDGs. Our **Stewardship and Sustainable Investing Policy** sets out our engagement and voting policies. Our **Proxy Voting Policy** outlines the principles that we apply when voting.
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 approach to stewardship** sets out how we collaborate. **Advocacy** (page 74) describes the collaborative initiatives in which we participate and how we contributed to a better functioning financial market and systemic risks during the year. Our **Stewardship and Sustainable Investing Policy** outlines how we work in collaboration with the wider investment community to achieve good outcomes for investors.

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 approach to stewardship** describes our approach to governance and oversight. Our case study on Seplat Energy (page 68) describes our approach to managing conflicts of interest. **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 being transparent in our reporting of activities and implementation of our policies. We regularly report to clients on how we fulfil our responsibilities, in line with our status as a signatory to the PRI, and our support for CRISA 2 and the principles of the UK Stewardship Code. We communicate the results of our activities in our client interactions, regular client reporting and through our annual Stewardship Activities Report. Our voting activities are disclosed on our website and updated on a monthly basis. All relevant policies and reports are available on our website, including our annual Stewardship Activities Report. As a PRI signatory, we report publicly on our responsible investment activities each year. +

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