

Corporate governance



Coronation maintains a balanced approach to effective corporate governance. The directors are of the opinion that Coronation has complied in all material respects with the principles of the Code of Corporate Practices and Conduct during the 2009 financial year as set out in King II.

Board of directors

Subsequent to year-end, Coronation's unitary board comprises two executive directors and four independent non-executive directors. The chairman is an independent non-executive director. The roles of chairman and chief executive officer have been specifically separated. The non-executive directors have the integrity, skills and experience to provide independent insight and value at board meetings. Profiles of the directors are detailed on page 23.

The board's main responsibility is to increase shareholder wealth. The board is accountable to shareholders and is responsible for actively managing relationships with the various stakeholders. In fulfilling its primary responsibility, the board is aware of the importance of achieving a balance between conformance to governance principles and economic performance. The board of directors is constituted with predominantly independent non-executive directors in compliance with the recommendations of King II.

The board is responsible for appointing the chief executive officer, guiding and reviewing corporate strategy, considering major initiatives and for risk policy. The executive committee is accountable to the board for the development and implementation of strategy and policies. The board regularly reviews group performance, matters of strategic concern and any other matters it regards as material.

The board is also responsible for nominating and recommending to shareholders all new directors for appointment, or re-appointment in the case of existing directors. In line with company policy at least one third of the directors are required to retire from their appointment each year. The directors who are required to retire are those who have been in office the longest since their last election or appointment. The retiring directors may make themselves eligible for re-election. The board has full and effective control of the group, which is exercised through senior management and the subsidiary boards.

Disclosure of the individual directors' emoluments and shareholdings is set out on pages 29 and 30.

The board meets quarterly and additional meetings are convened as required. Material decisions may be taken between meetings by way of written resolution, as provided for in the Articles of Association. The non-executive directors are provided with comprehensive information on the business and are updated on business developments between board meetings. The board met on seven occasions during the 2009 financial year.

The composition of the board and its three committees, the audit and risk committee, the transformation committee and the remuneration committee for 2009, are as follows:

	Board of directors	Remuneration committee	Transformation committee	Audit and risk committee
Gavan Ryan ^{2*}	Chairman	Chairman		Member
Hugo Nelson ³	CEO		Member	Member
Thys du Toit ^{2†}	Director	Member		
Shams Pather ¹	Chairman	Chairman	Chairman	
Winston Floquet ^{1*}	Director			Chairman
Alexandra Watson ¹	Director			Chairman
Judith February ¹	Director			
Jock McKenzie ^{1Δ}	Director	Member		Member
Anton Pillay ^{3#}	Director		Member	

1 Independent Non-executive
2 Non-executive
3 Executive

* Retired January 2009
• Retired March 2009
† Resigned June 2009

Δ Appointed May 2009
Appointed June 2009

Attendances at the meetings of the board and the committees were as follows:

	Board of directors	Remuneration committee	Transformation committee	Audit and risk committee
Gavan Ryan	100%	100%		100%
Hugo Nelson	100%		100%	
Thys du Toit	100%	50%		
Shams Pather	100%	100%	100%	100%
Winston Floquet	100%	100%		100%
Alexandra Watson	100%			100%
Judith February	43%			
Jock McKenzie *	100%	100%		100%
Anton Pillay *	100%		100%	

* Appointed May 2009 • Appointed June 2009

Remuneration committee

The remuneration committee is chaired by an independent non-executive director, which is consistent with the recommendations of King II. In compliance with King II, the chief executive officer is not a member of the committee but attends all meetings by invitation.

The committee meets twice a year, in April and October, to coincide with the bonus payment times of the year, as well as on an ad hoc basis if required. The committee met on four occasions during the 2009 financial year.

The committee's main aim is to ensure that the company recruits and retains the appropriate calibre of management. It approves the company's remuneration philosophy and policies and ensures that directors, senior executives and other employees are appropriately rewarded for their contribution to the performance of the business, with specific focus on incentives and longer-term remuneration structures. Local and international remuneration levels and trends are taken into consideration.

Non-executive directors receive fees for their services as directors of the board and for services as members of committees. These fees were determined and agreed by the board on the recommendations of the remuneration committee.

Transformation committee

Established at board level, the transformation committee drives all processes related to our transformation commitments and the challenges that these bring. The transformation committee is chaired by an independent non-executive director. It is accountable to the board and reports on all issues pertaining to transformation, including company-specific initiatives and the relevant scorecards.

The objective of the transformation committee is to establish and maintain an understanding of transformation in respect of the company's objectives. In line with corporate governance requirements, the transformation committee identifies business areas where transformation will be effected. It also monitors all transformation strategies and measures their respective impact.

The committee is tasked with establishing targets and monitoring the implementation of the transformation strategy at Coronation. In discharging these responsibilities it considers the legal and regulatory

frameworks, industry scorecards and the vision of the company. The committee institutes educational programmes to assist with company-wide understanding of the transformation agenda and strategy, and reviews and signs off on the transformation report included in the company's annual report. It reviews the results of any surveys undertaken and assesses management's response to transformation initiatives. Ultimately it ensures that true transformation is taking place within the business with regard to recruitment, staff retention, work environment and career development.

The committee consists of an independent non-executive director (chairman), the chief executive officer, chief operating officer and human resources manager. Meetings are held twice a year.

The transformation committee relies on management structures for the implementation of strategies and initiatives, of which the primary parties are the executive committee and the transformation task team.

Audit and risk committee

The board acknowledges its responsibility for the overall process of risk management and monitoring of the system of internal control. The committee is guided by an audit committee charter to ensure the integrity of the audit process and financial reporting, and to maintain a sound risk management and internal control system. In fulfilling its responsibility of assisting the board in discharging its duty to shareholders, the following are considered to be the main responsibilities of the committee:

- [Monitoring the integrity of financial reporting by reviewing and providing guidance on accounting principles and policies adopted, reporting and disclosure as well as the examination of documentation supporting the annual report.](#)
- [Setting out the nature, role, responsibility and authority of the risk management function within the group and outlining the scope of risk management work.](#)
- [Reviewing and assessing the effectiveness of the risk control systems and ensuring that the risk policies and strategies are effectively managed.](#)
- [Reviewing the group internal audit, compliance and risk management plans, reports and findings.](#)



- Reviewing and approving external audit plans, findings and reports.
- Ensuring compliance with the applicable legislation and the requirements of regulatory authorities.
- Determining the nature and extent of any non-audit services which the auditor may provide to the company.
- Providing any pre-approval of any proposed contract with the auditor for the provision of non-audit services to the company.

Management is accountable to the audit and risk committee for ensuring that the risk management process is incorporated into the day-to-day activities of the business, which includes design, implementation and monitoring thereof. The chairman of the committee reports on the status of the external and internal audit, compliance and risk management functions at the meetings of the board of directors.

The committee is chaired by an independent non-executive director and consists of a further two independent non-executive directors, one of whom is the chairman of the board.

The internal and external auditors as well as the risk manager have unrestricted access to the chairman of the committee, which ensures that their independence is not impaired.

Meetings are held three times a year and are also attended by the internal and external auditors and appropriate members of management.

During the year, the committee approved the external auditor's terms of engagement and scope of work and also reviewed the internal auditor's coverage plan aimed at providing assurance in respect of the various levels of operation. The committee received regular internal and external audit reports on the results of the audits conducted.

Based on the recommendations of King II, the board reviewed the performance of the audit and risk committee and is of the opinion that the committee has effectively discharged its responsibilities, as contained in its terms of reference, for the year under review.

Internal audit and internal controls

While the audit and risk committee supports the benefits of an internal audit function, it does not believe that the actual work should be conducted as an in-house function. The business therefore contracts auditing firm Deloitte Enterprise Risk Services (Deloitte) to fulfil the internal audit functions at the relevant subsidiaries. Deloitte provides the appropriate independence and objectivity to assist the board in discharging its responsibilities.

The internal audit function performs an independent appraisal with the full co-operation of the board and management. Its objective is to assist members of executive management in the effective execution of their responsibilities through an examination and evaluation of the subsidiaries' activities, business risks and systems of internal control. Any material or significant control weaknesses are brought to the attention of management and the audit and risk committee. The internal audit function does not assume the function of risk management but provides an independent assessment of the effectiveness of the internal controls.

Consultation takes place between the internal and external auditors during the year to ensure that all identified financial, operational and compliance controls are appropriately covered, and to minimise duplication of effort. At the start of each year an internal audit plan is developed and presented to the audit and risk committee for approval. The plan is based on a formal risk assessment together with issues identified by management and the audit and risk committee. Planning is of a continuous nature to identify new risk areas as the business evolves.

A compliance function exists to provide assurance in respect of compliance with applicable laws, regulations and supervisory requirements. The regulatory environment has continued to become increasingly more stringent, impacting both the business and its clients.