



Board of Directors

Our unitary Board comprising a majority of independent, non-executive directors from diverse backgrounds, and with different skill sets and experience.



Back row: Jock McKenzie, Judith February, Anton Pillay, Alexandra Watson, Hugo Nelson, John Snalam
Front row: Shams Pather, Lulama Boyce

SHAMS PATHER

Independent Non-Executive Chairman, 68

BBusSc, BCom (Hons), MBA (UCT)

Shams was appointed to the Board in 2005 and to the position of Chairman in March 2009. He has more than 30 years' experience in the asset management industry. From 1974 to 2003, he worked at Norwich Union, Colonial Mutual Life Assurance, Southern Life and Real Africa Asset Management. His directorships include Oceana Group Ltd, Lungisa Industrial (Pty) Ltd, Lungisa Technologies (Pty) Ltd, Lungisa Investment Holdings (Pty) Ltd, Centre for Proteomics and Genomics Research and Kagiso Tiso Holdings (Pty) Ltd.

ANTON PILLAY

Chief Executive Officer, 48

BBusSc, CA(SA), CFA, AMP (Harvard)

Anton was appointed Chief Executive Officer of Coronation Fund Managers in February 2013 and has been a member of the Board since June 2009. He joined Coronation in January 2006 from BoE (Pty) Ltd, where he held a number of key positions and directorships. Anton has extensive knowledge and experience of the investment and banking industry. He is a director of various Coronation subsidiaries, and also serves as chairperson of Namibia Asset Management and on the board of PPS Investments. Anton is a member of ASISA.

JOHN SNALAM

Chief Financial Officer, 59

BCom, CTA, CA(SA)

John has been the Chief Financial Officer of Coronation Fund Managers since its inception in 1993. During that time, he has been responsible for all finance and legal functions related to the business, as well as responsibilities for operations, risk and compliance. He also held directorships on the boards of all South African operating subsidiaries of the Group. Prior to joining Coronation, John spent eight years in the fields of finance, operations and compliance within financial services companies in London and South Africa. John was appointed to the Board in November 2012.

JUDITH FEBRUARY

Independent Non-Executive Director, 47

BA (Law), LLB, LLM (UCT)

Judith is a senior research associate at the Institute for Security Studies and a Visiting Fellow at the Wits School of Governance. Prior to that, Judith headed up IDASA's South African governance programme. She practised law in Cape Town until 2000 and holds an LLM in Commercial Law. Judith also is a Conflict Dynamics accredited commercial mediator. She is a regular media analyst on South African politics and writes columns for *Eyewitness News*, *Daily Maverick* and *Media24*. She is the author of 'Turning and Turning: exploring the complexities of South Africa's democracy', published by PanMacMillan in August 2018. Judith also chairs the Springfield Convent School board of governors. She was appointed to the Board in August 2008.

ALEXANDRA WATSON

Lead Independent Non-Executive Director, 62

BCom (Hons), CA(SA)

Alexandra is an emeritus professor of the University of Cape Town, having retired earlier this year after decades of teaching postgraduate financial reporting. She is a former chairman of the accounting practices committee, the technical accounting committee of the South African Institute of Chartered Accountants, and is a member of the Financial Reporting Investigations Panel (an advisory panel of financial reporting experts formed by a joint venture of the JSE and SAICA). In April 2018, Alexandra was appointed as an independent director of Steinhoff International Holdings N.V. She is the vice-chairman of the board of the Global Reporting Initiative, an Amsterdam-based organisation promoting understanding and communication of sustainability issues and in November 2018 was appointed to the board of WWF-SA.

LULAMA BOYCE

Independent Non-Executive Director, 39

BCom (Hons), CA(SA), MCom, Financial Management (UJ)

Lulama is the head of department of commercial accounting at the University of Johannesburg. She is also a member of the board of Adcock Ingram Holdings. She graduated from the University of Cape Town in 2002 and served her articles at Grant Thornton Johannesburg. She is a former account manager of the Industrial Development Corporation (IDC) and was part of the transport and financial services business unit from 2008 to 2011. She is a former project finance consultant and served on the audit committee of Automotive Supplier Park (ASP) from 2007 to 2009. Lulama was appointed to the Board in October 2014 and is an independent non-executive director of Coronation Management Company (RF) (Pty) Ltd and Coronation Life Assurance Company Ltd.

JOCK MCKENZIE

Independent Non-Executive Director, 71

BSc (Chem Eng), MA (Lancaster)

Jock is a member of the boards of Sappi and Capitec and Zululand Distilling Company (Pty) Ltd. He chairs the board of trustees of the UCT Foundation, the Carleton Lloyd Educational Trust and the Rondebosch Boys' Schools Education Trust. Jock held several senior executive positions globally and in South Africa. In 1999, he was appointed chairman and chief executive officer of the Caltex Corporation, and served as president for Asia, Middle East and Africa Products of the Chevron Texaco Corporation from October 2001 to January 2004. Jock was appointed to the Board in May 2009.

HUGO NELSON

Independent Non-Executive Director, 48

MBChB, MBA (Oxon), CFA

Hugo is founding partner of Fortitude Vincimus Capital Advisors (Pty) Ltd. He is former CEO of Coronation Fund Managers, prior to which he was a member of the investment team of the business for eight years. Hugo is a medical doctor who found his way into investment management via an MBA completed at Oxford University. He is a CFA charterholder. Hugo is a trustee of the DG Murray Trust, member of the Steinhoff NV supervisory board and a patron of George Whitfield College. Hugo was appointed to the Board in November 2016.



Board overview

The Board has full and effective control of the Coronation Fund Managers Ltd and its subsidiaries, which is exercised through the management team and subsidiary boards.

The Board of Directors (the Board) provides strategic direction to management and approves the implementation of strategy to create sustainable value for all stakeholders.

Its responsibilities include:

- ▶ monitoring Coronation's performance;
- ▶ overseeing risk management structures; and
- ▶ ensuring that the Company culture and values support Coronation's corporate objectives.

The management team is accountable for the development and implementation of strategy and policies.

The Board is accountable to shareholders and is responsible for overseeing the management of relationships with the various stakeholders. In fulfilling its responsibilities, the Board is aware of the importance of achieving economic performance while conforming to governance principles. All directors are also entitled to seek independent professional advice regarding the affairs of Coronation. The Company Secretary may assist directors, Board committees and their members in obtaining professional advice.

Continuing to earn and build on Coronation's clients' trust is the foundation upon which the business has been built. As a good corporate citizen and a leader within the South African asset management industry, Coronation has a responsibility to conduct itself in an ethical and responsible manner. As it is an increasingly global company, the Board will continue to ensure that Coronation complies with best governance practices around the world, including King IV™, to sustain an environment of effective oversight and accountability.

We are aligned to the principles as detailed in our King IV™ application register, which can be viewed on our website www.coronation.com.

Board composition

As at 30 September 2018, Coronation's unitary Board comprised of two executive directors and six independent non-executive directors. The Chairman is an independent non-executive director. The Board is responsible for appointing the CEO. The roles of the Chairman and CEO have been specifically separated. The non-executive directors have the integrity, skills and experience to provide independent insight and value at board meetings. There is a clear division of responsibilities at Board level to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making. The Board is satisfied that its current composition ensures such a balance of power and authority. Profiles of the directors are detailed on → [pages 70 to 71](#).

Mr Shams Pather, Prof Alexandra Watson, Ms Judith February and Mr Jock McKenzie are independent non-executive directors who have been members of the Board for longer than nine years. In terms of King IV™, the Board is required to initiate a review when an independent non-executive director's tenure exceeds a period of nine years. As at September 2018, a formal assessment of the independence of these Board members was conducted by Deloitte & Touche.

The Board also considered various criteria which would likely affect or appear to affect the aforementioned directors' character and judgement. This included assessments of relationships and circumstances that could create material conflicts of interest. Based on the formal assessment conducted by Deloitte & Touche and its own assessment, the Board concluded that, in each instance, the independence of Mr Pather, Prof Watson, Ms February and Mr McKenzie's character and judgement were not impaired by their length of service. The rest of the non-executive members were considered independent.

Coronation is in the process of assessing potential candidates to join the Board during the course of 2019 to ensure orderly succession in due course.

Board and subcommittee assessments

For the year ended 30 September 2018, Deloitte & Touche facilitated a formal effectiveness assessment of the Board and its committees. The assessment included an online assessment by individual directors, covering both targeted questions and free-text comments, and a series of one-on-one meetings in which directors provided constructive feedback on the functioning of the Board and its committees.

The independent assessment concluded that the performance of the Board and its committees continue to be highly effective with no material findings noted. The assessment confirmed that directors are engaged on matters relating to the Board and Coronation, and that executives engage openly and transparently with the Board.

Lead independent non-executive director

Prof Alexandra Watson is the lead independent non-executive director. The lead independent non-executive is expected to:

- lead the Board in the absence of the Chairperson;
- lead the performance appraisal of the Chairperson;
- assist the Chairperson in all other matters where necessary; and
- act as Chairperson in any other instance where the Chairperson is conflicted in relation to a matter being considered by the Board.

Director nominations

Based on the recommendation from the Remuneration and Nominations Committee, the Board considers the nomination of new directors for appointment, or re-appointment in the case of existing directors, and recommends the same to shareholders. In line with Company policy, at least one third of the non-executive 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 retiring directors eligible for re-election at the 2019 Annual General Meeting are Mr John Snalam, Ms Lulama Boyce and Mr John David (Jock) McKenzie.

The Committee has recommended that additional directors be appointed for the purposes of succession planning.

Outside interests

In terms of the Companies Act, all directors must disclose outside business interests. The declaration of directors' interest and conflicts of interests is a standard agenda item at each Board meeting. Directors who are conflicted recuse themselves and do not participate in meetings. The Company Secretary maintains a register of all the directors' interest, which is presented to the Board annually. The Board is aware of directors' outside commitments and is satisfied that all directors allocate sufficient time to enable them to discharge their duties effectively.

Non-executive director fees

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 recommendation of the Remuneration and Nominations Committee (→ *refer to director's remuneration on page 69*).

Although the Board retains overall responsibility for Coronation, it does delegate authority to the executives to manage the day-to-day business and affairs of Coronation. The Delegation of Authority Framework clearly sets out specific levels of authority and the required approvals necessary for all decisions to be made, while providing the necessary autonomy for the day-to-day operations. The framework is reviewed annually by the Board.

As at 30 September 2018, the Board had three committees, namely the Audit and Risk Committee, the Remuneration and Nominations Committee and the Social, Ethics and Transformation Committee. (→ *Refer to page 74 for each Committee's membership*). All Board Committee charters are available for review on our website www.coronation.com.

BOARD AND COMMITTEE MEMBERSHIP

	Board of Directors	Audit and Risk Committee	SET Committee	Remuneration and Nominations Committee
Shams Pather ^{1*}	Chairman			Member
Lulama Boyce ¹	Director	Member		
Judith February ¹	Director		Chairman	
Jock McKenzie ^{1^}	Director	Member		Member
Hugo Nelson ^{1†}	Director	Member		Chairman
Alexandra Watson ¹	Director	Chairman	Member	
Anton Pillay ²	CEO		Member	
John Snalam ²	CFO			

¹ Independent non-executive

* Chair on matters relating to the nomination and appointment of individuals

^ Chair on matters relating to remuneration until 6 September 2018

² Executive

† Hugo Nelson replaced Jock McKenzie as chairman of all matters that relate to remuneration on 6 September 2018

Meeting attendance

The Board meets a minimum of four times a year, with additional meetings as required. Material decisions may be taken between meetings by way of written resolutions, as provided for in the memorandum of incorporation. 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 five occasions during the 2018 financial year.

Attendance at the meetings of the Board and the committees as at 30 September 2018 was as follows:

	Board of Directors	Audit and Risk Committee	SET Committee	Remuneration and Nominations Committee
Shams Pather	100%			100%
Lulama Boyce	100%	100%		
Judith February	100%		100%	
Jock McKenzie	100%	100%		100%
Hugo Nelson	100%	100%		100%
Alexandra Watson	100%	100%	100%	
Anton Pillay	100%		100%	
John Snalam	100%			

Diversity Policy

The Board recognises that the promotion and implementation of gender and race diversity is critical to achieving sustainable transformation in the long term, and has adopted a Diversity Policy, which is available at www.coronation.com. In assessing the composition of the Board, consideration will be given to the appointment of female and/or black directors to attain and maintain gender and race diversity within the Board, having due regard to the skills, expertise, experience and background required to fill any Board positions. The target for non-executive directors of the Board is 50% black and 50% female. At 30 September 2018, our voluntary target for non-executive directors of the Board was achieved.

Company Secretary

The Board selects and appoints the Company Secretary and recognises the importance of this role in entrenching good corporate governance. All directors have unlimited access to the services of the Company Secretary, who in turn has access to appropriate resources in the provision of this support.

Ms Lee-Anne Parenzee was appointed as Company Secretary by the Board in accordance with the Companies Act with effect from 8 November 2012. In accordance with the JSE Listings Requirements, a detailed assessment was conducted by the Board to consider and satisfy itself as to Ms Parenzee's competence, qualifications and experience. The Board agreed that all the requirements had been met, was satisfied with her performance and is confident in her ability to meet the responsibilities of the position. She does not serve as a director of the Board and the assessment confirmed her arm's-length relationship with the Board.



Committee reports

SOCIAL, ETHICS AND TRANSFORMATION (SET) COMMITTEE

The responsibilities of the SET Committee include upholding, monitoring and reporting to the Board on organisational ethics; responsible corporate citizenship; organisational transformation and the fulfilment of its statutory duties on behalf of the Group; as well as any additional functions as delegated by the Board. The SET charter, approved annually by the Board, more fully sets out the Committee's responsibilities and is available for review in the shareholder information section of our website www.coronation.com.

While this Committee has insight into the investment process, especially in relation to stewardship and the consideration of ESG factors during the investment process, the SET Committee is not accountable for trading decisions made by the investment team, which are operational, given the nature of the business. As the business continues its responsible investment journey, it is revising its Stewardship Report which will be published on the website in the first quarter of 2019.

The Committee comprises independent non-executive directors Ms Judith February (Chairperson), Prof Alexandra Watson, as well as executive director Mr Anton Pillay, who lend a wealth of experience and diverse perspectives to Committee discussions.

In addition, managers in business including the Chief Operating Officer, heads of Talent Management and Marketing attend and report at Committee meetings by invitation. The Committee is supported in the execution of its mandate by joint staff and management Employment Equity and CSI committees. The activities of these committees are part of the SET Committee agenda.

The Committee met twice during 2018, and each meeting was fully attended by its members.

In its deliberations during the year, the Committee considered substantive local and international regulation and frameworks, as well as leading industry practice. Furthermore, the Committee received feedback on the monitoring, assessment and measurement of Group activities as they relate to social and economic development, transformation and ethics, including the Group's standing in terms of the goals and purposes of, inter alia, the following:

- ▶ The Companies Act;
- ▶ United Nations Global Compact 10 Principles;
- ▶ OECD recommendations regarding corruption;
- ▶ Employment Equity Act; and
- ▶ Broad-Based Black Economic Empowerment Act.

Key areas of focus 2017/ 2018

Labour and employment practices

- ▶ Oversight of the impact of the revised FSC gazetted during December 2017 on Coronation and monitoring measures implemented by management to influence the businesses rating under the revised FSC in 2018.
- ▶ Overseeing that meaningful transformation is taking place within the business in terms of recruitment, employee retention and career development, as well as the development of the workforce pipeline through graduate recruitment and bursary programmes. (→ *Refer to pages 49 to 54 for information on our employees and page 23 to 24 on our initiatives to develop young talent*).

Organisational ethics

- Overseeing the promotion of an ethical culture, equality, and prevention of unfair discrimination, including oversight and monitoring adherence to the code of ethics and related policies.
- Monitoring the results of the anonymous whistle-blowing mechanism, maintained by a third party.
- Receiving regular feedback on an initial and follow-up assurance provider due diligence performed in 2017 and 2018, respectively.

Corporate citizenship

- The Committee discussed at length the efficacy of social impact investing programmes.
- The Committee monitored corporate spend in respect of the various programmes supported.
- Focus was allocated to the CSI Capsule Programme, which was launched at three schools in the city during March 2018. The launch was attended by Prof Alexandra Watson on behalf of the Committee.

Stakeholder engagement

Reviewing a summary of engagement with the material stakeholders including the number and method of engagement, and the nature of discussions held. No material matters requiring the focus of the Committee were noted during the year.

The Committee relies on management for the implementation of strategies and initiatives, of which the primary contributors are the management team as well as the Employment Equity and CSI committees. The Committee completed a self-assessment during the 2018 financial year and is of the opinion that it has effectively discharged its responsibilities in terms of its mandate.

Future focus

Given the increased culture of stakeholder activism across the country, the Committee continues to apply increasing focus to the Group's relationships with its stakeholders, as well as public perception of the Company. In addition, the Committee will continue to focus on meaningful transformation initiatives within the business and further entrenching the culture of responsible corporate governance and transparency within the Company.

The Committee looks forward to reviewing the performance of the CSI Capsule Programme that launched in March 2018, post the first anniversary of the project in 2019, as well as the launch of an improved graduate recruitment programme in 2019 (→ *refer to page 54 for more information*).

The Committee remains focused on ensuring the maintenance of an ethical culture within Coronation, to ensure that we serve as reliable and trusted custodians of our clients' assets, and because we realise this is good for business and it our duty to model best practice as a large corporate citizen in South Africa.

AUDIT AND RISK COMMITTEE

The joint Audit and Risk Committee (the Committee) is responsible for enabling the maintenance of sound systems of combined assurance, including risk management and risk management and compliance, as well as overseeing the preparation of accurate integrated and financial reports in compliance with all applicable reporting standards.

The Committee's duties, as mandated by the Board, extends, inter alia, to:

- ▶ managing strategic and major financial risks;
- ▶ overseeing the adequacy and effectiveness of information technology, operational and financial risks and controls;
- ▶ reviewing the effectiveness of the system of monitoring compliance with relevant laws and regulation;
- ▶ recommending the appointment of the external auditor to shareholders and evaluating the performance of the incumbent;
- ▶ appointing and removing other assurance providers, as well as ensuring assurance providers collectively possess the required skill and expertise to address the complexity and volume of risk faced by the Group; and
- ▶ satisfying itself that the finance function possesses the necessary skill and expertise.

The Audit and Risk Committee Charter, available on our website www.coronation.com, more fully describes the role and function of the Committee, which discharges its responsibilities on behalf of the Group.

The Committee comprises four independent non-executive directors, three of whom provide expertise in the fields of commerce and finance including the Committee Chairperson, Prof. Alexandra Watson, a former professor at the college of accounting of the University of Cape Town, and Lulama Boyce, the Head of the commercial accounting department at the University of Johannesburg. Collectively, the Committee has the skills needed to fulfil its duties, including financial and broader corporate reporting expertise. As previously

disclosed, further to director Lulama Boyce replacing Shams Pather on the Committee effective 10 October 2017, there were no changes to the Committee since the last reporting date.

The Committee meets at least three times a year, in May, August and November, in conjunction with the key reporting cycles of the Group. The Committee met three times during the 2018 financial year, with full member attendance at all meetings.

Committee meetings are attended by management, the internal and external auditors by standing invitation, as well as external subject matter experts as required. In addition, the remaining Board members regularly attend and observe the proceedings of Committee meetings. The Chairman of the Committee reports on the status of the external audit, operational risk assurance, and compliance and risk management functions, as well as relevant issues relating to subsidiary companies at meetings of the Board of Directors.

The CFO, internal and external auditors, the Risk Officer, the Risk Assurance Manager and the Global Head of Risk and Compliance have unrestricted access to the Committee Chairperson, which ensures that their independence is not compromised. The Board reviewed the performance of the Committee and is of the opinion that it has effectively discharged its responsibilities, as contained in its terms of reference for the year under review. Given that John Snalam will retire as CFO in 2019, his replacement will be announced.

Key focus areas

Oversight of financial controls and external audit

During the year, the Committee approved the external auditor's terms of engagement and scope of work. It agreed to the external audit plan prior to the commencement of the audit. Full feedback was given to the Committee after the audit was completed, and an independent JSE review was considered in relation to the annual financial statements. The Audit and Risk Committee considered the quality of the external audit by reviewing the results of the review performed by the Independent Regulatory Board of Auditors as well as the feedback received from management.

Ensuring auditor independence

- ▶ The Committee has set a limit of 10% of audit fees for any non-audit work undertaken by the external auditors.
- ▶ The Committee reviews the quantum and type of non-audit services provided by external auditors to ensure compliance with the specified limits.
- ▶ The tenure of the external audit firm is reviewed annually by the Committee. Historically, the external audit function is put out to tender between every eight and 10 years. The existing external audit firm is not precluded from participating.
- ▶ The Committee oversees the rotation of audit partners every five years, in accordance with the requirements of the Companies Act.
- ▶ The Company has received confirmation from the external auditor that the partners and staff responsible for the audit comply with all legal and professional requirements with regard to rotation and independence. The Committee is satisfied that the external auditor is independent of Coronation.

The Audit and Risk Committee also considered and is satisfied with the expertise and adequacy of resources within the finance function, as well as with the performance and competency of CFO Mr John Snalam. In making these assessments, feedback was obtained from both the external and internal audit. The Committee is of the opinion that he has the appropriate expertise and experience to meet

his responsibilities in the position, as required by the JSE, given the following:

- ▶ successive unqualified audits of the Group since its inception;
- ▶ regular and comprehensive financial reporting to the Board; and
- ▶ independent discussions between the Committee Chair and external auditors regarding the effectiveness of the finance function.

Based on the processes and assurances obtained, the Committee is of the view that the accounting practices are effective. Significant matters that the Committee considered in relation to the annual financial statements included the early adoption of IFRIC 23, as issued by the International Accounting Standards Board and in-depth consideration of 'control' as defined by IFRS 10.

Oversight of combined assurance

During the year, the Committee approved the operational risk assurance plan, as detailed on → *pages 84 to 86*, as well as the output of the Group's combined assurance. The Audit and Risk Committee has considered and is satisfied with the effectiveness of the Risk Assurance Manager and the arrangements in place for combined assurance, including operational risk assurance. Nothing has come to the attention of the Audit and Risk Committee to indicate any material breakdown in the system of control during the year under review or in the performance of any assurance provider.

REMUNERATION AND NOMINATIONS COMMITTEE

The Remuneration and Nominations Committee is a combined Committee, consisting of three independent non-executive directors who operate under formal terms of reference. On matters that relate to the nomination and appointment of individuals, the Committee is chaired by the Chairman of the Board, Mr Shams Pather; and on matters of remuneration by Dr Hugo Nelson, who was appointed on 6 September 2018. Mr Nelson succeeded Mr Jock McKenzie, who remains a member of the Committee. The CEO or any other manager's attendance at meetings is by invitation, with the purpose of assisting in the execution of the Committee's mandate. The Committee usually meets three times a year, in April, September and October, as well as on an ad hoc basis if required. During the 2018 financial year, the Committee met three times and there was full attendance at all meetings by its members.

The primary objective of the Committee is to ensure that the Group Remuneration Policy structures and processes are appropriate to achieve the overall business strategy, objectives, values and long-term interests, and are applied in an independent and objective manner to provide assurance to stakeholders.

The Committee ensures optimal remuneration structures that appropriately reward employees for their individual and team-based contribution

to the performance and long-term success of the business. In line with our long-term approach to investing on behalf of our clients, specific focus is given to incentives and longer-term remuneration structures.

Additionally, the Committee is responsible for ensuring that the Group Nominations Policy caters for succession planning across key areas of the business, and to ensure that the Board is resourced with individuals who have the appropriate expertise, qualifications and experience to fulfil the role of a company director. Further, the Committee has to ensure that it achieves an appropriate level of race and gender diversity in accordance with Coronation's Diversity Policy (→ *refer to page 75*).

The Committee adheres to good corporate governance practices and reporting standards by conducting regular reviews of all relevant policies and plans. For reference purposes, where appropriate, it makes use of independent benchmarking studies and comparisons of local and international remuneration practices within the investment industry.

The Board reviewed the performance of the Committee and is of the opinion that it has effectively discharged its responsibilities, as contained in its terms of reference.

For further details, refer to the remuneration section (→ *pages 55 to 69*). Please see the Committee charter in the shareholder information section of our website www.coronation.com.



Combined assurance

Introduction

With the support of the Board and the Audit and Risk Committee, Coronation has implemented a combined assurance model, comprising five lines of assurance as depicted in the figure below. The implementation of a combined assurance model enables an efficient and holistic approach to risk management and assurance activities across the Group that, taken as a whole, provides a level of assurance that is greater than the sum of its parts and adequately supports the integrity of information produced for reporting and decision-making.

The model recognises varying levels of assurance, ranging from management to specialised independent external assurance, and is designed to maximise the value obtained from assurance, while minimising duplication.

Key aspects of our line of assurance are as follows:

Management and control functions

Management, as the first line of assurance, is primarily accountable for owning and managing risk within the departments they manage.

This includes designing and implementing effective processes and controls to identify and mitigate risk to achieve the objectives of the business, as well as comply with relevant regulation.

Management is supported by specialist internal control functions within the second line of assurance, which includes the risk and compliance functions. These control functions provide subject matter expertise to management in relation to the design and operating effectiveness of processes implemented by management. They monitor key risk areas and report any material issues to management and the Audit and Risk Committee.

Risk management report

Risk is an inherent and unavoidable part of any business. The appropriate management of risk is crucial to protecting stakeholder interests, the adherence to regulatory requirements, and maintaining the long-term sustainability of the business.

At Coronation, the Board is ultimately responsible for ensuring that risks are managed effectively, within a tolerance (risk appetite) defined by the Board. The Board has delegated responsibility for overseeing risk management to the Audit and Risk Committee (the Committee) and ultimately, management and the risk function. Risk management is a multi-faceted discipline which requires appropriate governance, independent monitoring, frequent communication, the application of judgement and detailed knowledge of specialised products and markets.

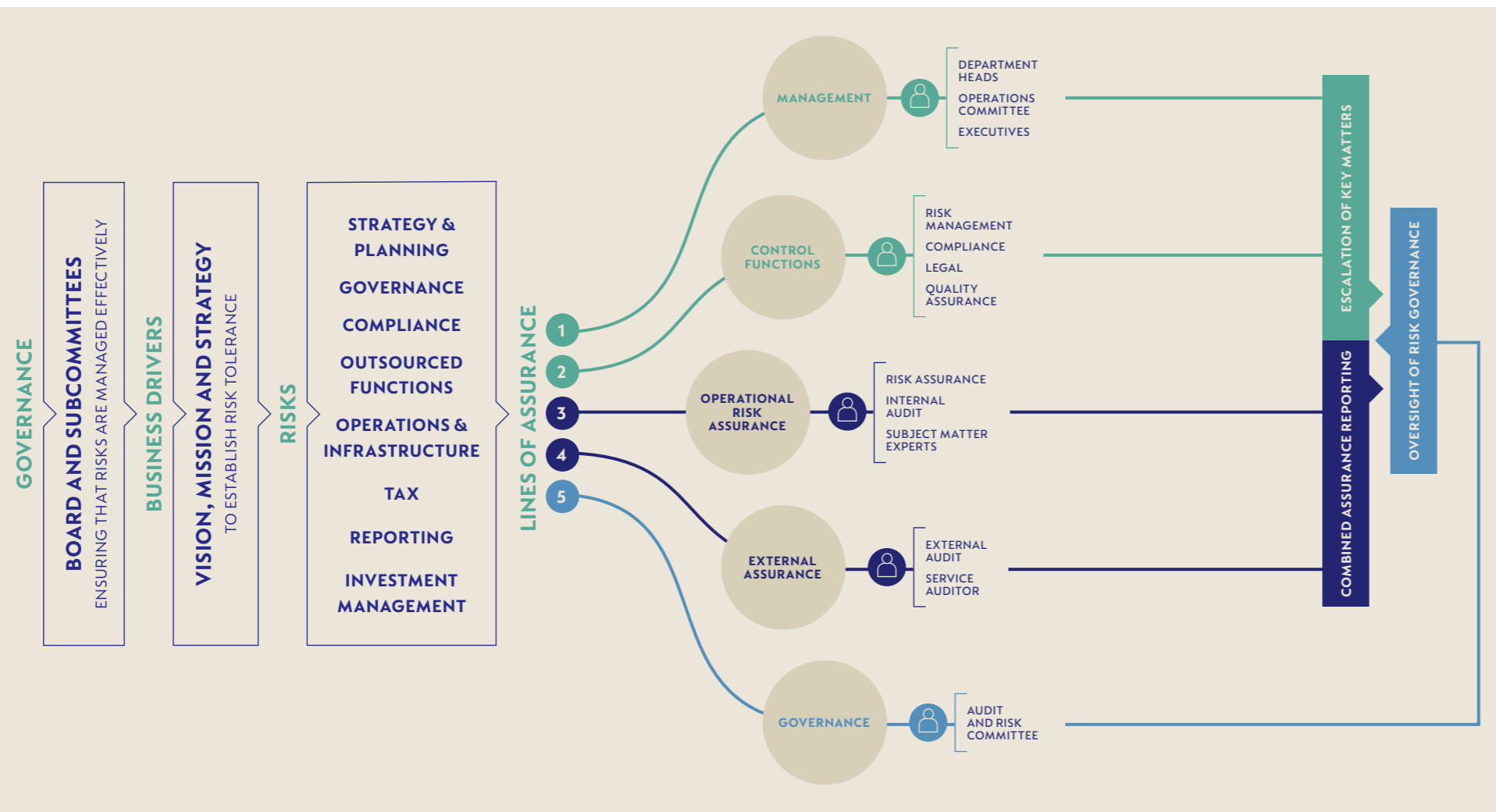
Coronation's risk management objectives are to:

- create risk awareness and understanding across all levels of the organisation;
- integrate risk consciousness into the organisation's daily decision-making and implementation processes;
- facilitate risk identification and mitigation across the Group within risk appetite and risk-tolerance parameters defined by the Board;
- improve the Group's ability to prevent, detect, correct, escalate and respond to critical risk issues by conducting risk monitoring; and
- comply with appropriate risk management and corporate governance frameworks and guidelines.

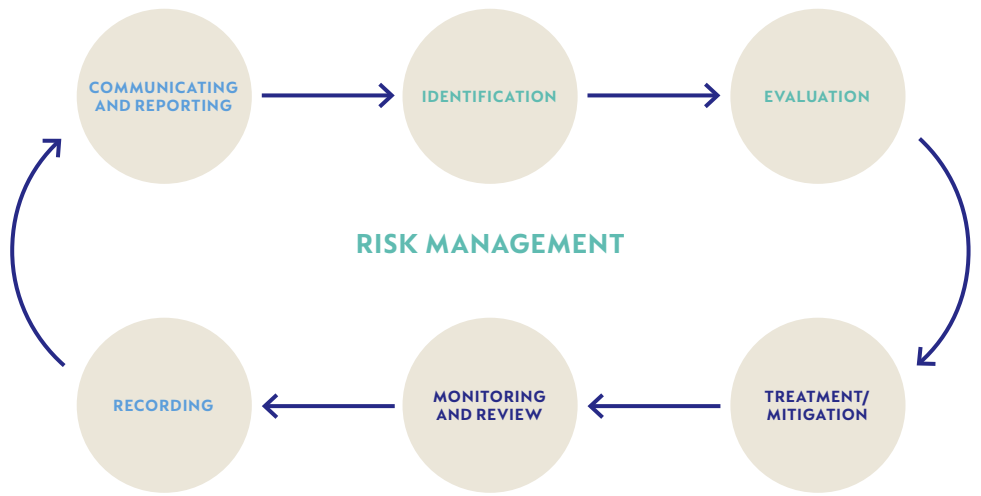
Coronation's Risk Management Strategy and Framework more fully articulates the Risk Management Policy and guides the approach to risk management across the business, which includes the key elements as illustrated in the diagram below.

Risk management is a cyclical and ongoing process that should ensure that resources are effectively employed to minimise the probability of negative events, while maximising the realisation of opportunities.

We adopt a dual top-down and bottom-up approach to identifying risks, which considers the external environment and strategic planning to identify key strategic risks, as well as identifying risks at the operational level - which include process, client and product-specific risks.



Management are the risk owners and take an active role in day-to-day risk management. This include responsibility for identifying, evaluating, mitigating and monitoring risk as well as applying the framework.



The risk function comprises the Risk Officer and Risk Assurance Manager, who report to the Head of Global Risk and Compliance, who in turn reports administratively to the CEO and functionally to the Chair of the Committee. The risk function is responsible for overseeing and reporting on the adequacy and effectiveness of management’s procedures to manage risk across the Group. More specifically, the Risk Officer is responsible for ensuring that policies and procedures are established for measuring, managing and reporting risk. The Risk Assurance Manager is responsible for the design and execution of the operational risk assurance plan which assesses the integrity of controls implemented to manage risk.

All Committee meetings are attended by the Global Head of Risk and Compliance, the Risk Officer and the Risk Assurance Manager, who formally report to the Committee at each meeting. The Audit and Risk Committee escalates material risk matters to the Board, and there is also ongoing interaction between executive members of the Board and the management team.

Coronation has developed, implemented and continuously improves the framework to ensure that the management of risk is integrated into the organisation’s overall corporate governance structures, strategy, planning, reporting processes, policies, values and culture.

Nothing has come to the attention of the Board to indicate that there has been any material breakdown in the risk management function, processes or systems during the year under review. We recognise that, in a complex financial services environment, risk management processes and strategies should evolve: they should be subject to ongoing review and modifications, taking into account risk appetite, risk tolerance and risk resilience of the business.

The table below outlines the key risk types facing the business, along with the relevant mitigating controls, which have been implemented.

Risk	Definition	Management and mitigation
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STRATEGY AND PLANNING RISKS

Reputational risk	An action, event or transaction that may cause a loss of confidence in Coronation's integrity or otherwise damage the Coronation brand.	Our ownership culture, long-term strategic thinking and client-centric philosophy drive our behaviour, protect stakeholder interests and mitigate reputational risk. In addition, our remuneration structure is designed to ensure that employees' interests and stakeholder interests are aligned. All forms of media are regularly monitored to enable a proactive approach to reputational risk management. Material events which may impact the Group are directly escalated to the CEO and Chairman of the Board for consideration.
Market change risk	Failure to respond to fundamental changes in the fund management industry, including disruptive technologies, distribution patterns, embracing new channels, or products to meet the changing profile and demands of clients.	We continue to invest in the Coronation brand and our direct investor infrastructure. Through ongoing client engagement and the publication of thought leadership, we affirm our commitment to our long-term investment philosophy. We regularly review and revise our fee structures to remain competitive and stay abreast of competitor consolidation and aggregation strategies. We actively participate in industry bodies to influence legislative outcomes where possible and in addition, develop new products in response to changing needs of clients, subsequent to conducting in-depth research and viability assessments.
Compliance and regulatory risk	Non-adherence to regulations.	Our compliance department maintains a robust compliance programme to ensure compliance with all relevant regulations. This team, with assistance from specialised external compliance consultants as needed, implements and tests adherence to current regulation on an ongoing basis, facilitates training and awareness for employees and continuously monitors the pipeline of new or amended legislation potentially impacting the business. Periodic independent assurance is obtained on the adequacy and efficacy of our compliance arrangements.
Transformation risk	Not responding in a considered manner to achieving true transformation and potential non-achievement of FSC targets.	The Employment Equity Committee oversees and monitors achievement of transformational targets in accordance with our Employment Equity Plan. In addition, the Committee ensures that policies and practices do not prohibit the sourcing and retention of talented black individuals. The Committee reports to and its activities are overseen by the SET Committee (→ refer to pages 76 to 77). In developing the pipeline of black talent, Coronation makes a significant investment in educating previously disadvantaged youth through our bursary, internship and graduate recruitment programmes (→ refer to pages 53 to 54).
Brexit risk	The effects of Brexit on our offshore operating model.	Management is looking at various scenarios which includes a 'no-deal, hard Brexit' by assessing the impacts and identifying points to investigate further. Coronation is closely monitoring the situation and is in the process of formulating a practical Brexit contingency plan.

Risk	Definition	Management and mitigation
INVESTMENT MANAGEMENT RISK		
Investment performance risk	Sustained poor investment returns relative to peer funds and benchmarks.	All client assets are managed by a single and stable investment team of highly skilled individuals who are unwavering in the application of our tried and tested investment philosophy, underpinned by our commitment to the long term. The investment team is subdivided into teams with specific focus per asset type and/or region, who rigorously monitor the markets and make investment decisions supported by our proprietary research. The investment team is predominantly based at our Cape Town headquarters, which facilitates continuous in-person engagement, further entrenched by a daily morning meeting of all investment team members. Extensive insights and thought leadership on markets and Coronation strategies is made available to clients as well as the general public, including in our quarterly publication, <i>Corospondent</i> . Additional information on investment governance is provided on → pages 27 to 28 .
Credit risk	Inability of a counterparty to a financial instrument to meet its obligations in terms of an existing contract, or failure to service its debt timeously.	Credit risk is overseen by our Counterparty and Credit Risk Committee, comprising fixed income portfolio managers, credit analysts, risk and compliance representatives. The Committee is chaired by an experienced independent non-executive Chairperson. It convenes monthly and is guided by a Counterparty and Credit Risk Policy, which defines the approval process for new credit exposures and stipulates conservative quantitative issuer exposure limits. Adherence to the credit risk guidelines is monitored daily by the investment risk and performance team, a specialist control function, through a review of system-generated reports, which are also received by members of the Committee and the management team.
OUTSOURCING, OPERATIONS AND INFRASTRUCTURE RISKS		
Outsourcing risk	The inability or unwillingness of an outsourcing or key service provider to discharge its contractual obligations.	Given our dedicated focus on investment management and related core activities, operational aspects of the business are outsourced where appropriate. However, we remain fully accountable for the delivery and risks associated with outsourced processes. To this end we have implemented a service provider management framework, including: <ul style="list-style-type: none"> ➤ implementation of controls to ensure robust oversight of key outsourced providers on a real-time and ongoing basis, including daily, weekly and monthly transaction review; ➤ monitoring adherence to service level agreements and implementation of formal communication channels, as well as formal escalation procedures to manage and resolve issues identified; and ➤ conducting periodic formal on-site due diligence.
Risk of failure operational processes	Operational processes and controls may be inadequate and/or ineffective from a design or operating effectiveness perspective, resulting in operational errors and financial loss.	Our combined assurance model, including the annual operational risk assurance plan, ensures the ongoing assessment of the design and operating effectiveness of our control environment. The combined approach to assurance ensures that resources with the appropriate level of skill and expertise review key processes to maximise the quality and quantity of assurance obtained (→ refer to page 81).
Human resources risk	Inability to attract, motivate and prevent the departure of top talent.	Our people are our most prized assets. Accordingly, our work environment, culture and Remuneration Policy are designed to attract, retain and motivate great talent (→ refer to page 55). Our high-performance culture, employee ownership and personal career development opportunities are defining characteristics of our business that helps to attract and retain employees. We maintain a bursary and internship programme (→ refer to pages 53 to 54) which serves the dual purpose of developing the nation's youth and providing a workforce pipeline.

Risk	Definition	Management and mitigation
OUTSOURCING, OPERATIONS AND INFRASTRUCTURE RISKS (CONTINUED)		
Information and technology (IT) risk	Obsolescence of infrastructure, deficiency in integration, failures/inadequacies in systems/networks that may significantly disrupt core operations.	IT systems and data (technology) are viewed as key enablers of the Group's strategic objectives, and as such, a robust technology and systems governance framework has been implemented (→ <i>refer to pages 91 to 95</i>). The Board-approved framework sets out the objectives of technology which includes ensuring high integrity and availability of technology and information to meet business needs in a timely manner.
Cyber security risk	Ineffective preparation for and management of cyber threats that may significantly disrupt core operations, cause financial loss and damage our reputation.	<p>Cyber risk is holistically managed across people, processes and technology. This includes enforcing appropriate policies, ongoing employee awareness and employing technology to prevent and/or detect potential or actual threats to the security of our environment.</p> <p>Vulnerability management occurs on an ongoing basis whereby the server and desktop environments are scanned for threats and patches deployed as needed.</p> <p>Independent subject matter experts perform penetration testing on a regular basis, and the implementation of recommendations is closely monitored.</p> <p>Live monitoring of cyber threats and system logs occurs via our dedicated Security Operations Centre (SOC).</p>
Data protection risk	Policies and processes do not adequately ensure protection of client data, including sufficient oversight of data at our service providers.	Protection of client data is a focus area. A number of initiatives have been implemented or are in the process of being implemented such as increasing staff awareness, the development of data classification policies, relooking at service provider agreements with an emphasis on data protection language, etc. In addition, subject matter experts have been engaged to test the effectiveness of the IT security at various intervals throughout the year.
Disaster recovery and business continuity risk	A physical event or system issue which could impair Coronation's ability to perform core business activities.	Comprehensive business continuity/disaster recovery plans are designed and tested annually to ensure complete restoration of core business functions in the event of a disaster, within a defined recovery timeline. This includes user acceptance testing to verify recovered systems are fully operational. Key features of the continuity and recovery plans include off-site retention of data backups and access to a recovery warm site.
Fraud risk	Clients are exposed to and may potentially become victims of fraudulent activities.	<p>Operational processes and controls are designed to identify and prevent fraudulent activity.</p> <p>Periodic assurance is obtained to ensure consistent application of the agreed controls in all high-risk areas and to identify any areas of weakness. We remain aware of emerging fraud trends through participation in industry forums.</p>
FINANCIAL AND REPORTING RISKS		
Liquidity and capital risk	Insufficient liquidity to meet Coronation's liabilities when due, under both normal and stressed conditions as well as not maintaining sufficient regulatory capital.	<p>Regular detailed cash flows are prepared on a rolling prospective 12-month basis based on business forecasts. These are reviewed internally and subjected to stress tests. These are further presented on a quarterly basis to the Board for review and approval.</p> <p>Ongoing assessment of liquidity and capital requirements and available liquid resources and facilities is performed at management and Board level.</p>

COMPLIANCE REPORT

Overview

Coronation's global compliance function is responsible for monitoring compliance with all regulatory obligations in all jurisdictions in which the Group operates. We are primarily answerable to the following regulators:

- ▶ FSCA (South Africa)
- ▶ Prudential Authority (South Africa)
- ▶ Central Bank of Ireland (Ireland)
- ▶ Financial Conduct Authority (UK)
- ▶ Securities and Exchange Commission (USA)

Our Compliance Programme is designed to identify and understand the full universe of applicable regulations, provide appropriate employee training and ensure that, where possible, compliance requirements are embedded in our operational processes and controls. To test adherence to regulatory obligations on an ongoing basis, we execute appropriate risk-based compliance monitoring plans and employ external assurance providers.

Frequent interaction between the compliance team and business/operational employees is facilitated by key business and operational

functions being centralised on one floor in our Cape Town headquarters. The Head of Global Risk and Compliance is in direct and regular contact with the CEO, COO, CFO and senior management, and attends key management and governance meetings. In addition to attending Audit and Risk Committee meetings and reporting to the Chair of the Committee, the Head of Global Risk and Compliance periodically conducts one-on-one meetings with the independent non-executive Chair of the Audit and Risk Committee.

The global compliance function is managed out of Cape Town and consists of the Head of Global Risk and Compliance, three South Africa-based compliance officers, a Compliance Officer based in Dublin and an external compliance consultant in London. We also employ the services of compliance consultants and law firms to ensure we obtain expert advice and remain abreast of all material regulatory developments. Coronation has not had any regulatory penalties, sanctions or fines for contraventions or non-compliance with regulatory obligations imposed on it or any of its directors or officers.

CORONATION'S KEY COMPLIANCE GOALS

Goal	Measures
Identify all regulatory obligations in all jurisdictions in which we operate, and implement risk-based programmes to implement and monitor compliance	We have a well-established team of experienced compliance professionals who, together with external regulatory and compliance advisers, ensure that all regulatory obligations have been identified and appropriate risk-based compliance monitoring plans have been implemented.
Take a proactive approach in identifying, preparing for and implementing changes required by new or amended regulation	Locally, we commit significant resources to the various ASISA structures which monitor, comment and lobby in relation to new or amended legislation. Internationally, we are members of the Investment Company Institute, which serves a similar purpose in relation to US and EU legislation. These channels, together with our local and international network of legal and compliance advisers, ensures we remain abreast of all material regulatory developments.

CORONATION'S KEY COMPLIANCE GOALS

Goal	Measures
Promote employee awareness and understanding of regulatory obligations/internal policies through training and communication	<p>We have an ongoing training and awareness programme consisting of the following elements:</p> <ul style="list-style-type: none"> ▶ Compliance Induction Training; ▶ Compliance Broadcasts distributed by email to all staff covering key policies and alerts; ▶ E-learning and in-person training to satisfy various regulatory requirements; and ▶ On the job training, particularly in instances where compliance requirements are embedded in daily processes.
Work in close partnership with management to develop pragmatic risk-based solutions to regulatory challenges	<p>All key departments, management and executive management are physically present in one location. This significantly enhances the ability to engage in meaningful conversations and achieve considered decision-making. The Global Head of Risk and Compliance is in daily contact with the CEO and COO, and regular contact with other members of executive management.</p>
Ensure the Audit and Risk Committee is kept informed of material compliance risks facing the firm, including via effective formal reporting	<p>Monthly written risk and compliance reports are provided to executive management, as well as the independent Chair of the Committee.</p> <p>A risk and compliance report-pack is provided to the Committee for review and discussion at the three-yearly Committee meetings. In addition, prior to each Audit and Risk Committee meeting the Global Head of Risk and Compliance, the Risk Officer and the Risk Assurance Manager meet with the independent Chair of the Committee, without management present.</p>
Manage service provider and regulatory relationships effectively	<p>Our compliance staff remain in regular contact with third party service providers, as well as key personnel at our key regulators (directly or via intermediaries or industry associations).</p>

Key areas of regulatory focus over the period

Domestic

- ▶ Retail distribution review
- ▶ Protection of Personal Information Act
- ▶ Hedge fund declaration and regulations
- ▶ King IV™
- ▶ Long-Term Insurance Bill and related rules and regulations
- ▶ Board Notice 92 in relation to advertising, marketing and disclosures
- ▶ Financial Intelligence Centre Act
- ▶ Financial Advisory and Intermediary Services Act Fit and Proper Amendments

International

- ▶ MiFID II
- ▶ Brexit
- ▶ Ireland Consultation Paper 86 on fund management company effectiveness/ delegate oversight
- ▶ European Market Infrastructure Regulation (EMIR)
- ▶ Regulatory impact of offering cross-border services and products

Compliance monitoring

Coronation's compliance department manages a comprehensive compliance monitoring programme which includes:

- Real-time monitoring embedded in operational processes, including in relation to:
 - › Investment rule monitoring
 - › Personal account investing
 - › Insider information declarations
 - › Gift declarations
 - › Best execution
- Retrospective monitoring in the form of internal assurance:
 - › Risk-based compliance monitoring plans covering key global legislative obligations are executed by Coronation's compliance officers
 - › Retrospective monitoring in the form of external assurance
 - › Various independent external assurance providers conduct periodic reviews of key elements of Coronation's Compliance Programme

Culture of compliance

We strive to be leaders in promoting the highest standards of ethical behaviour and professional excellence. High ethical standards are critical to maintaining stakeholder trust in Coronation, the financial markets and the investment profession. Under 'stakeholders' we include the public, regulators, clients, prospective clients, shareholders, employees, colleagues in the investment profession, and other participants in the global capital markets. Furthermore, we view ethical behaviour as much more than a compliance requirement. Clients are under no obligation to continue entrusting us with their assets. For any investment manager eager to earn and continue to earn their clients' trust, ethical behaviour is a business imperative.

All employees are required to conduct themselves in accordance with our code of ethics, client charter and our six values (→ *refer to pages 6 and 50*). In addition, all employees are required to complete an annual declaration

that includes the provision of information and/or declarations in relation to outside interests, personal account investing, broker statements, conflicts of interest, compliance with the requirements of Coronation's compliance policies, confidential information and the FSCA TCF initiative.

Coronation is supportive of the TCF principles, to the extent relevant to our business, and we believe that they are consistent with the objectives required for a long-term, sustainable investment business. Furthermore, the TCF principles are supported by our client charter and six values that focus on putting clients first, acting ethically and with integrity.

Compliance policies

A key element of our compliance programme is the design and maintenance of an appropriate compliance policy framework. Key written policies include:

- code of ethics
- Conflicts of interest management
- Whistle-blowing
- Anti-money laundering and financial crime
- TCF
- Complaints handling and resolution
- Investment rule management
- Asset pricing and valuation
- Business continuity and disaster recovery
- Outside interests and personal account investing
- Gifts and inducements
- Inside information
- Credit risk management
- Order execution
- Transactions costs

The compliance department, in conjunction with internal subject matter experts, is responsible for ensuring that all policies remain current and are reviewed periodically.

Assurance report

In addition to the assurance provided by management and control functions, the third and fourth lines of assurance comprise the independent assessment of the control environment by a broad range of assurance providers and subject matter experts.

The third line of assurance, termed operational risk assurance, refers to internal reviews of the control environment the results of which are reported to management and the Audit and Risk Committee (the Committee). Operational risk assurance comprises the Risk Assurance Manager, internal audit and various subject matter experts. The Risk Assurance Manager and internal audit have free and unrestricted access to the Committee to maintain the appropriate level of independence.

The activities of operational risk assurance are guided by the operational risk assurance charter, approved by the Committee, which sets forth the nature, scope and purpose of the operational risk assurance function. An annual Operational Risk Assurance Plan, is designed to ensure optimal coverage of material risks by the third and fourth lines of assurance and is reviewed and approved by the Committee. The plan is developed by the Risk Assurance Manager, in close consultation with the Risk Officer, management and assurance providers, as well as analysis of the risk register and the results of previous assurance activities. Planned independent assurance extends across all areas of the business, including internal control functions such as risk management and compliance.

Execution of the plan is allocated to the provider best suited to each particular assurance requirement, thereby maximising the added value of the exercise. The results of work performed by each assurance provider are reported in its original format to the Committee. This, coupled with the employment of a range of service providers, ensures that the Committee obtains the appropriate level of independent and objective assurance. The Committee has considered and is satisfied with the arrangements of operational risk assurance, as well as the performance of the Risk Assurance Manager and internal audit.

The fourth line of assurance includes independent external assurance, the results of which are publicly available, and is therefore primarily directed towards the Group's shareholders and clients. This includes the annual financial audit, conducted by the Group external auditor as well as assurance in accordance with the International Standards on Assurance Engagements – Assurance Reports on Controls at a Service Organisation (ISAE 3402 type II).

EY was appointed external auditor in 2011, with the incumbent designated audit partner, Ms Leigh-Ann Killin appointed during 2018. Nothing has come to the attention of the Audit and Risk Committee to indicate any material breakdown in the system of control during the year under review.

As designated by the Board, the Committee oversees the adequate and effective risk management and system of internal control within the business, and therefore forms the fifth line of assurance (*→ refer to pages 78 to 79 for the Committee report*).