

HOW CORONATION CREATES VALUE FOR GOVERNMENT AND REGULATORY BODIES

Compliance with all regulatory and statutory obligations remains a high priority for Coronation.

Coronation acts in compliance with relevant governance frameworks that suggest leading governance practices. Accordingly, the Board is guided by the principles set out in King IV™, which affirm our existing approach to corporate governance. We aim to engage government and regulatory bodies in a proactive and meaningful manner. We participate in regulatory discussions to safeguard against unintended outcomes.

We are primarily accountable to the following regulatory bodies:

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

The majority of our regulatory interaction is with the FSCA, either directly or through our involvement with the Association for Savings & Investment SA (ASISA). We are committed to playing an active role in shaping the South African financial services industry by working with industry partners and the FSCA.

A number of Coronation employees serve on various ASISA board committees, standing committees and working groups, and we have engaged in numerous significant legislative consultations. This includes the Retail Distribution Review, the Financial Intelligence Centre Act Amendment Bill, changes in the tax treatment of Collective Investment Schemes and the Financial Sector Regulation Bill (Twin

Peaks), which creates the Prudential Authority and a dedicated market conduct regulator, namely the FSCA.

In line with our offshore fund offering and our strategy to grow our global franchise, we are members of the Investment Company Institute (ICI) and the Alternative Investment Management Association (AIMA). This helps us to remain abreast of international industry and regulatory developments and to adjust our practices and strategy in a timely manner.

Advancing economic transformation

In line with the agenda of government and regulatory bodies to achieve economic transformation and the development of skills in the asset management industry, Coronation has pioneered black businesses and supported the transformation of the industry since its inception a quarter of a century ago.

2018 outcomes

In the past year, Coronation actively contributed to shaping the local regulatory landscape through its participation in industry consultations via ASISA, as well as through direct engagement with regulators.

We consulted on a number of issues, including the new retirement default regulations, which took effect on 1 September 2017. Although the interventions are rigorous, we believe they present a positive contribution that will enable retirement savers to retain the necessary flexibility to achieve the best possible outcomes.

Regulatory outlook

From 1 April 2018, the Financial Sector Regulation Act introduced the Twin Peaks model of financial sector regulation in South Africa. The Twin Peaks model reformed the regulatory and supervisory landscape for the financial sector by dividing the regulatory architecture into the FSCA, responsible for market conduct regulation, and the Prudential Authority (located within the South African Reserve Bank) charged with prudential regulation designed to prevent a financial crisis.

Successfully navigating this transformed regulatory landscape requires financial institutions to understand the regulatory mechanics of the enabling legislation as well as the new roles and responsibilities of the respective authorities. Although the new model is not without some challenges, we do expect it to have a positive impact on the regulatory landscape within which we operate and to achieve a more stable financial system that is supportive of balanced and sustainable economic growth.

We are currently in the process of implementing the changes introduced by the Financial Intelligence Centre Amendment Act. This includes the design and implementation of a risk-based approach to customer due diligence, which will allow us the flexibility to introduce measures to prevent or mitigate money laundering and/or terrorist financing that are commensurate with the risks identified.

Given our operations in Dublin and London, Coronation closely follows European regulatory developments. In particular, this includes MiFID II, effective January 2018. Management has also been looking at various Brexit scenarios and planning for a possible 'Hard Brexit'. Contingency plans are being put in place in order to minimise the impact.

Financial contribution

As a leading South African asset manager, Coronation makes a substantial contribution to the national fiscus via its annual tax payments. For the period under review our total tax paid, including VAT where applicable, was R833 million.