



Strategic focus areas

Our business is underpinned by five key pillars that guide our strategic and operational activities.



Long-term investment performance



Excellent client service



Corporate citizenship



Growing a global franchise



Effective and integrated governance





LONG-TERM INVESTMENT PERFORMANCE

Coronation is an investment-led business and remains unwaveringly focused on delivering strong investment returns over the long term. This is evidenced in the since-inception performance of our funds with 10-year plus track records. In addition, we have seen a recovery in short-term performance during the year.

Our institutional and retail clients who have been invested with us for meaningful periods of time have enjoyed exceptional returns (→ refer to page 35).

Institutional: balanced portfolios QUARTILE RANKING TO 30 SEPTEMBER 2019

	5-year ranking	10-year ranking	20-year ranking	Since inception ranking
Alexander Forbes South African Large Manager Watch™	4	3	2	1
Alexander Forbes Global Large Manager Watch™	2	1	1	1

Source: Coronation and Alexander Forbes as at 30 September 2019

Domestic and global flagship Funds CONSISTENT OUTPERFORMANCE

Domestic funds	YTD	Minimum investment horizon	10 years	5 years	Since inception	Inception date
Equity	1st	1st	1st	1st	1st	April 1996
Top 20	1st	2nd	1st	2nd	1st	Oct 2000
Market Plus	3rd	4th	2nd	4th	1st	July 2001
Balanced Plus	1st	2nd	1st	2nd	1st	April 1996
Capital Plus	2nd	4th	2nd	4th	1st	July 2001
Balanced Defensive	1st	2nd	1st	2nd	1st	Feb 2007
Strategic Income	2nd	2nd	1st	2nd	1st	July 2001
Global and worldwide funds						
Global Opportunities Equity	3rd	2nd	2nd	2nd	1st	Aug 1997
Optimum Growth	1st	1st	1st	1st	1st	April 1999
Global Managed	1st	2nd	–	2nd	1st	Nov 2009
Global Capital Plus	1st	1st	–	1st	1st	Nov 2008

Source: Morningstar, 30 September 2019. Quartile ranking shown against ASISA peer groups for rand-denominated funds. Capital Plus equals 23 funds, while the peer group size for Global Managed equals 37 funds (both numbers include Coronation funds). For all other funds (rand-denominated): Morningstar A-classes as at 30 September 2019 based on ASISA categories excluding Coronation funds in that category



“Our approach to ESG focuses on three key functions: integration, engagement and collaboration.”

Sustainable investing

As stewards of our clients' capital, Coronation is focused on the long-term prospects of the assets in which we invest on our clients' behalf. It is central to our investment philosophy and process to analyse each investment to create, sustain and protect value with the goal of generating superior risk-adjusted returns in line with our clients' objectives.

Approach to responsible investment

Our Environmental, Social and Governance (ESG) Policy sets out the guiding principles behind our approach to responsible investment, the incorporation of ESG factors into our investment process and the measures that are in place to ensure effective implementation. The Policy applies across our global investment universe and must be adhered to by all investment staff.

Our approach to ESG-related activities focuses on three key functions: integration, engagement and collaboration.

Integration

Given the specifics of their business models, each company is unique and faces its own challenges. Tying social impact directly to competitive advantage and economic performance is the most powerful way for companies to help address the world's grave social challenges and go beyond traditional, siloed ESG thinking.

One of the most active challenges within ESG investment is identifying those issues which are genuinely material to a company's ability to create value over time.

Our investment professionals ensure that the risks and opportunities stemming from potentially material ESG factors are integrated into investment decision-making processes.

Engagement

As a fundamental active manager who builds concentrated portfolios, we can commit significant resources to stewardship activities. Our large and experienced team maintains constructive relationships with the boards and

senior management teams of companies. We develop specific engagement strategies for each company, which are informed by our deep understanding of industries and asset classes across multiple geographies. Our dialogue is objectives-driven and continuous, influencing outcomes for the long term.

The benefit of this approach is that when we engage with investee companies, we have an informed dialogue about ESG disclosure and practices, monitoring corporate activities and exercising our ownership rights. This ensures the process is meaningful and encompasses the multi-faceted approach of balancing ESG elements rather than being a box-ticking exercise.

Given the focus on preserving and enhancing long-term value on behalf of asset owners, engagement can encompass the full range of issues that affect the long-term value of a business, including strategy, capital structure, operational performance and delivery, risk management, pay and corporate governance. ESG factors are clearly integral to this. Opportunities and challenges offered by ESG developments need to be reflected in the business's strategic thinking. Equally, a full assessment of operational performance must encompass not only financials but also vital operational areas, highlighting the long-term health of the business such as the relations with the workforce; the creation of a culture that favours long-term value creation; dealing openly and fairly with suppliers and customers; and having proper and effective environmental controls in place.

During the 2019 financial year, 289 formal engagements were held with investee company management teams, and we voted 99% of all proxies.

With regards to proxy voting on shareholder resolutions, wherever possible, Coronation will timeously raise its concerns with management to provide them with the opportunity to address any concerns before the vote.

PROXY VOTE RECORDS

	2019	2018	2017	2016	2015	2014	2013
Number of resolutions	6 147	2 802	2 466	2 799	2 347	2 767	2 898
Voted in favour	5 473	2 541	2 332	2 643	2 223	2 606	2 702
Voted against	626	259	115	151	121	157	191
Abstained from voting	48	2	19	5	3	4	5

Source: Coronation SharePoint Databases: CAM Research, Africa and Frontier Markets (internal), Emerging Markets (Internal), Global Research (Internal)

Note: Voting records from 2018 and prior reflect South African-portfolio votes only; 2019 reflects our global vote complement

IN 2019

289

formal engagements

99%

proxies voted

A full record of all proxy voting is available in the stewardship section of our website www.coronation.com.

Collaboration

Stewardship and engagement are beneficial because they enhance shareholder value and support investors in the execution of their fiduciary duty. Stewardship and engagement encourage enhanced information flows between investors and investees, enhancing knowledge and building relationships. Developing these dynamics requires that investors go beyond the use of data derived from box-ticking.

We will collaborate with industry bodies and like-minded organisations to advocate better policies and promote a financial system that works in the interests of all stakeholders.

Collective engagement can give more traction to ESG issues within companies, adding weight and emphasis to concerns. There are a number of engagement vehicles, including the PRI Collaboration Platform which facilitates these coalitions.

In 2019, we released our first annual Stewardship Report, which disclosed our corporate engagements and proxy voting activity and provides insight into the nature of these engagements through case studies with both positive and negative outcomes.

Key concerns

Looking out into a world in which governance scandals abound, social pressures are increasing, and the health of our environment is under threat, we are committed to deepening our understanding of ESG factors at both a company and a sector level.

Climate risk has catapulted to the top of the global agenda. We continue to encourage companies to measure, mitigate and disclose potential liabilities, supporting objectives to be aligned with the Paris Agreement. The Task Force on Climate-related Financial Disclosures provides a good framework for companies to assess their climate-related financial risks and opportunities, and it is flexible, which allows companies to evolve their assessments and reporting over time.

At a time of growing concern about unequal economic and financial systems it is key to manage both the positive and negative social and employment implications of climate action across the whole economy. South Africa's National Development Plan 2030 prioritises job creation, the elimination of poverty, the reduction of inequality, as well as growing an inclusive economy by 2030. It has a strong convergence with the United Nation's Sustainable Development Goals, the global agenda to address the world's key challenges which guide on alignment with a desirable future.

New ESG issues are likely to emerge as additional risks become more prominent. We will continue to advocate strongly for a financial industry that better serves the needs of society, and we will continue to engage with companies to improve their ESG behaviours. In this way, we can help our clients invest better, retire better and create a better society for all.





EXCELLENT CLIENT SERVICE

We offer our clients a world-class experience via our client-facing teams, in-person meetings, leading-edge systems and access to thought leadership conferences and publications.

Putting clients' needs first is at the forefront of what we do. We know that without clients we have no business and that the assets under our management can leave us at 24 hours' notice. This year, despite a tough economic climate, we have continued to invest in providing our clients with service excellence.

Client satisfaction

We aim to provide excellent levels of service to all our clients, and the best way to assess whether we are achieving our goal is by asking our clients. Our Personal Investments team conducts annual surveys with our direct investors and provides support to independent financial advisers (IFAs). We are pleased to report that client loyalty remains above 90%. We do not take this rating for granted, and continuously review both positive and negative feedback to improve our service. We also conducted more than 3 600 meetings and 625 presentations with advisers and their clients. In the institutional arena, we had 635 face-to-face client engagements in 14 countries (→ refer to page 34).

Our compliance department reviewed all complaints received on a monthly basis and found that no material client complaints were required to be formally escalated to the Audit and Risk Committee.

The key principles of our retail client service philosophy are accessibility, accuracy and simplicity. We have therefore set demanding client service benchmarks for our team.

Coronation supports the principles set out in the Financial Sector Conduct Authority's Treating Customers Fairly initiative and, through our involvement with the Association for Savings and Investment South Africa, we actively engage in refining the practical aspects of this outcomes-based framework.

Roadshows adding value

Conversations with Coronation remains our premier report-back platform for the individual advice market, and this year we experienced a positive increase in attendance of between 15% and 20%. Our thought-leadership forum Talking Investments 2019 attracted over 700 of our institutional clients.

Enhanced client service platforms

We continued to build on the various client service enhancements released during 2018 that aim to enhance our capacity to deliver world-class service. This year, we began a rebuild of our online transactional website. The site will in future offer improved mobile support and new functionality, making it easier for clients to evaluate their investment performance and perform transactions.

Committed to high-quality client service

We have an experienced team of client service professionals who are responsible for identifying new potential investors by building trusted and long-term relationships, underpinned by high-quality client service. Our main avenues of distribution are through the institutional market and selected wholesale markets with like-minded clients who favour long-term and active management. Coronation's value proposition to clients includes:

- **Enduring culture** of client centricity, being performance-driven and owner-managed
- **Consistent**, valuation-driven philosophy applied over 26 years
- **Founded** on unique proprietary research, establishing long-term fair value in companies
- **Driven** by bottom-up, active, disciplined portfolio construction
- **Implemented** through stable, fully integrated, meritocratic investment teams
- **Delivering** a consistent, long-term track record of outperformance

CLIENT SURVEY SHOWS

>90%

client loyalty rating





CORPORATE CITIZENSHIP

We are a significant South African corporate citizen and committed to building an equitable and inclusive society. We do this via our recruitment process and collaborative initiatives focused on education, internships and enterprise development.

“Intembeko is the first black-owned and managed transfer agency service provider in South Africa.”

As with our investment philosophy, our focus is on the long term. In everything we do, we consider how our actions will make our business, our stakeholders, the wider community and the environment more sustainable. In 2020, we will publish our first Transformation Report that will provide deeper insights into our transformation initiatives.

We continue to play an advocacy role in South Africa to help secure an inclusive and growing economy. We continually engage with government bodies on various issues, as well as with regulators via the Association for Savings and Investments South Africa. Coronation is part of the CEO Initiative and a shareholder of the SA SME Fund and is a member of Business Leadership South Africa.

We are committed to advancing transformation in South Africa, by maintaining a transformed, diverse workplace and investing in the development of black businesses and professionals in our industry.

Through disciplined recruitment, we focus on transformation in all areas of our business and have made a significant contribution to the transformation and development of skills in the broader financial services industry. Over the years, exceptional black employees have been recruited, trained and retained, many of whom now hold management roles within the business (→ refer to page 48 for details).

Our scholarship and bursary programmes have been instrumental in achieving a diverse workplace and will continue to make a considerable contribution in coming years (→ refer to page 22 for details).

Black ownership of our company

In 2005, Coronation launched the Imvula Trust, the first employee-only black economic empowerment deal in the country. By working exclusively with our own people, we created a partnership that we believed would have a meaningful impact on our business and, over time, achieve true social change. In the creation of a new generation of owners, we made a long-term investment in 187 people, our business and the economy.

Supporting black businesses in financial services

First black-owned transfer agency in South Africa

In 2017, Coronation supported the creation of Intembeko Investment Administrators, which provides dedicated and independent transfer agency services. Intembeko is the first black-owned and managed transfer agency service provider in South Africa.

The business obtained the necessary licensing and met all regulatory requirements needed to provide a full unit trust, pension benefits and investment platform administration service, which commenced in November 2018.

Intembeko is now in its second year of operations and continues on its journey to become a world-class service provider.

Black-owned financial services businesses

Pre-dating black economic empowerment legislation in South Africa, we pioneered a number of corporate initiatives that contributed to transformation and the development of skills in the asset management and financial services industry in southern Africa.



SINCE 2005

>R300m

to black brokerages

Our most notable successes include:

- ▶ Partnering in the launch of the first Namibian majority-owned asset manager – leading to the establishment of Namibia Asset Management in 1996.
- ▶ Establishing and funding African Harvest Asset Management* in 1999 (subsequently bought out by Cadiz Asset Management).
- ▶ Launching Kagiso Asset Management*, a joint venture with Kagiso Trust Investments, in 2001.
- ▶ In 2006, we introduced a ground-breaking initiative to transform the South African stockbroking industry with the launch of the Coronation Business Support Programme; an intervention to grow emerging black stockbrokers.

We allocate a minimum of 10% of our South African equity brokerage to a group of black-owned stockbrokers annually. The allocations were guaranteed for periods of three to five years. Coronation also offered operational and strategic support to the participants by means of regular interaction with the CEO and the Head of Dealing. Critical to the programme's success was Coronation's dedicated allocation to skills development, which was one of the key criteria for ongoing inclusion in the programme.

Since 2005, Coronation has allocated in excess of R300 million in brokerage to the programme participants. As a result of this, a number of the businesses have evolved into sustainable stockbroking houses with value-added offerings to the investment community as a whole.

For both the industry and the companies themselves, the transformation has been material.

The programme's success inspired the creation of a broader industry programme. In 2016, ASISA launched its Stockbroker Development Programme, with Coronation as one of its sponsoring managers. Five other large fund managers are also now supporting the programme.

B-BBEE scorecard

The Financial Sector Code (FSC) provides a benchmark against which we determine our B-BBEE rating.

The revised FSC was gazetted as a sector code effective 1 December 2017 in terms of the Broad-Based Black Economic Empowerment Act, No. 53 of 2003. Based on the revised FSC, we are a B-BBEE Level 2 contributor.

Preferential procurement

Our holistic approach to preferential procurement affords us the opportunity to meaningfully contribute to the economic growth and empowerment of South Africa. In this way, we aim to broaden our reach to a growing number of predominantly black-owned and black female-owned supplier businesses, thereby encouraging the formation of new enterprises and the creation of much-needed employment opportunities.

The strict implementation of our Procurement Policy guides the continual increase in the procurement of services from B-BBEE-accredited suppliers. It also requires that we identify potential future B-BBEE-accredited suppliers.

Through our Supplier Oversight Programme, regular due diligences are conducted to confirm existing and prospective supplier credentials. Where necessary, we exert our influence over those suppliers where their transformation progress conflicts with our Procurement Policy or the objectives upon which we have agreed with suppliers. We remain committed to awarding a greater proportion of spend to empowered suppliers over time.

Black financial advisers

As an original sponsor and ongoing supporter and sponsor of ASISA's Independent Financial Adviser (IFA) Development Programme, we provide business development support and skills training to black IFAs. Since the programme's inception in 2015, it has trained 120 black IFA businesses and created internship opportunities for 105 individuals, 42 of whom have been absorbed into the practices.

Bursaries and skills development

The Coronation Bursary Programme

Since 1993, more than 100 students from underprivileged areas all over South Africa have been given the chance to achieve their dream of a better future through the Coronation Bursary Programme.

* Coronation holds no interest in these businesses



B-BBEE CONTRIBUTOR

Level 2

measured by the
Financial Sector Code

The programme provides students with full tertiary bursaries to study at any recognised university in South Africa. These bursaries are awarded on merit and financial need. Over the period of study, students are supported by trained tutors and matched with a Coronation mentor to assist with integration into university life. Furthermore, all students have the opportunity to gain practical work experience through vacation work, primarily at our Cape Town office.

We extended the programme to include high school students in 2012. Since then, we have provided 107 scholarships to previously disadvantaged students through our involvement with the South African Innovative Learning Intervention.

Student Financial Aid

In addition to the Coronation Bursary Programme, we provided support to the second pilot of the Ikusasa Student Financial Aid Programme, which is a public-private partnership that will fund students studying towards occupations in high demand.

Internships

To assist in growing and deepening the investment industry's pool of talent, we created internship programmes within our Company and permanent black trainee analyst roles within our investment team.

Our intention is to create a skills development pipeline that will nurture talent within our business and the industry as a whole. We established a successful two-year work experience programme for unemployed graduates in 2012. Following the 13 graduates who joined the programme in 2018, three new recruits were added in 2019. Over the past six years, a total of 58 people have benefited.

To further transform the industry through the development of much-needed skills, we launched our External Intern Programme during the course of 2016. This course is run in partnership with one of our suppliers and provides graduate internships for a 12-month period. The programme is aimed at developing specific skills that are in short supply in the marketplace.

In 2018, the President introduced the Youth Employment Service (YES) Programme as a means to alleviate the high unemployment rates. We have registered with the YES Programme and have pledged support to YES via the WeThinkCode Programme which plans to close the digital skills gap in Africa by equipping individuals with coding and software development skills. We will continue supporting YES and envisage that we will increase the number of individuals we sponsor in 2020 via other programmes and partners.

Community impact

Coronation commits extensive resources to developing communities through improved education and entrepreneurship (→ [refer to page 43](#)).

Our footprint

We strive to contain our environmental footprint. We have taken steps to reduce our carbon emissions through internal measures and in the way in which we communicate with clients. We have stopped providing printed documents at many of our events to cut down on paper wastage. All used paper and toner cartridges are recycled.

Where appropriate, we have introduced e-reporting to clients, which has significantly reduced paper use. We limit air travel and use video-conferencing facilities in all our offices, which are based in Cape Town, Johannesburg, Pretoria, Dublin and London.

Our Cape Town head office workspace has been greened through the ultraviolet treatment of windows and efficient use of lighting. We have introduced biodegradable products in our employee restaurant, and all organic waste is collected by a contractor and composted.





GROWING A GLOBAL FRANCHISE

As global investors, we offer our clients access to in excess of 26 years of investment experience across global developed, emerging and frontier markets. Our global clients include leading international retirement funds, endowments and family offices.

Over the last decade, we have focused our efforts on expanding our investment capabilities to cover a broad range of markets in a few targeted global strategies.

Active management delivers

Coronation continues to believe that, over the long term, active management delivers superior outcomes for clients. We have a single investment philosophy according to which all strategies and mandates are managed, and which is deeply ingrained within the entire Coronation investment team. It is this same philosophy with which we have successfully been managing money in South Africa for the past 26 years.

As long-term stewards of our clients' capital, we focus on the long-term prospects of the assets in which we invest on our clients' behalf. It is central to our long-term, valuation-driven investment philosophy and process to analyse the ability of each investment to create, sustain and protect value with the goal of generating superior risk-adjusted returns in line with our clients' objectives.

A world-class track record

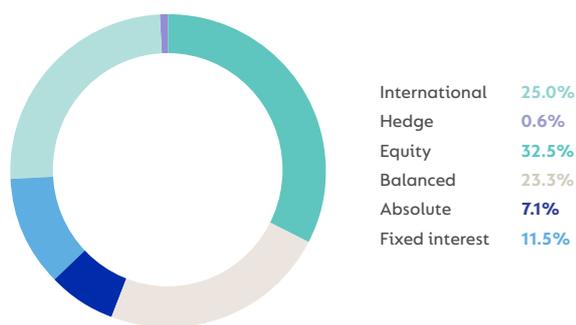
Since the launch of our global franchise in 2008, we have made great strides in establishing world-class track records across our entire range. Our specialist emerging markets equity and frontier markets strategies continue to attract a diversified client base from across the globe.

This franchise has developed into a compelling business, managing a combined total of R66 billion (September 2018: R61 billion) in our global strategies on behalf of several leading international retirement funds, endowments and family offices.

- Managed by a team of internationally-focused investment professionals located in Cape Town
- Significant outperformance since inception
- Active engagement and ESG integration in investment process

We are pleased with the strong performance of our Global Emerging Markets and Global Equity strategies over 2019, demonstrating the fortitude and discipline maintained throughout the tougher performance periods in prior years.

AUM BY STRATEGY



Source: Coronation





EFFECTIVE AND INTEGRATED GOVERNANCE

Coronation's ability to add value is heavily dependent on its reputation, as embodied in the message 'Trust is earned'. Governance processes are therefore designed to support ethical and effective leadership that emanates from the Board level and spans the Group.

“Continuing to earn and build on our clients’ trust is the foundation upon which the business has been built.”

Outside of formal Board and subcommittee meetings, the Board is accessible to management, who frequently consult with directors, individually and collectively, on a broad range of topics.

Executive directors and management are responsible for implementing the strategy of the Board, as well as ensuring the effective operation of all areas of the business. This includes development and implementation of appropriate policies, as approved by the Board, in addition to ongoing reporting to the Board and its subcommittees, to enable the Board to effectively fulfil its duties of accountability and oversight of management's execution of its Board-approved mandate.

Consequently, the integrity of the operating model and the information produced for the Board is ensured through the Groupwide Combined Assurance Model ([→ refer to page 26](#)).

King IV™

Continuing to earn and build on our 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 Coronation 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.

The Board is satisfied that the Group adequately applies the principles and recommended practices of King IV™ as detailed in our King IV™ application register, which can be viewed on our website www.coronation.com.



Combined Assurance Model

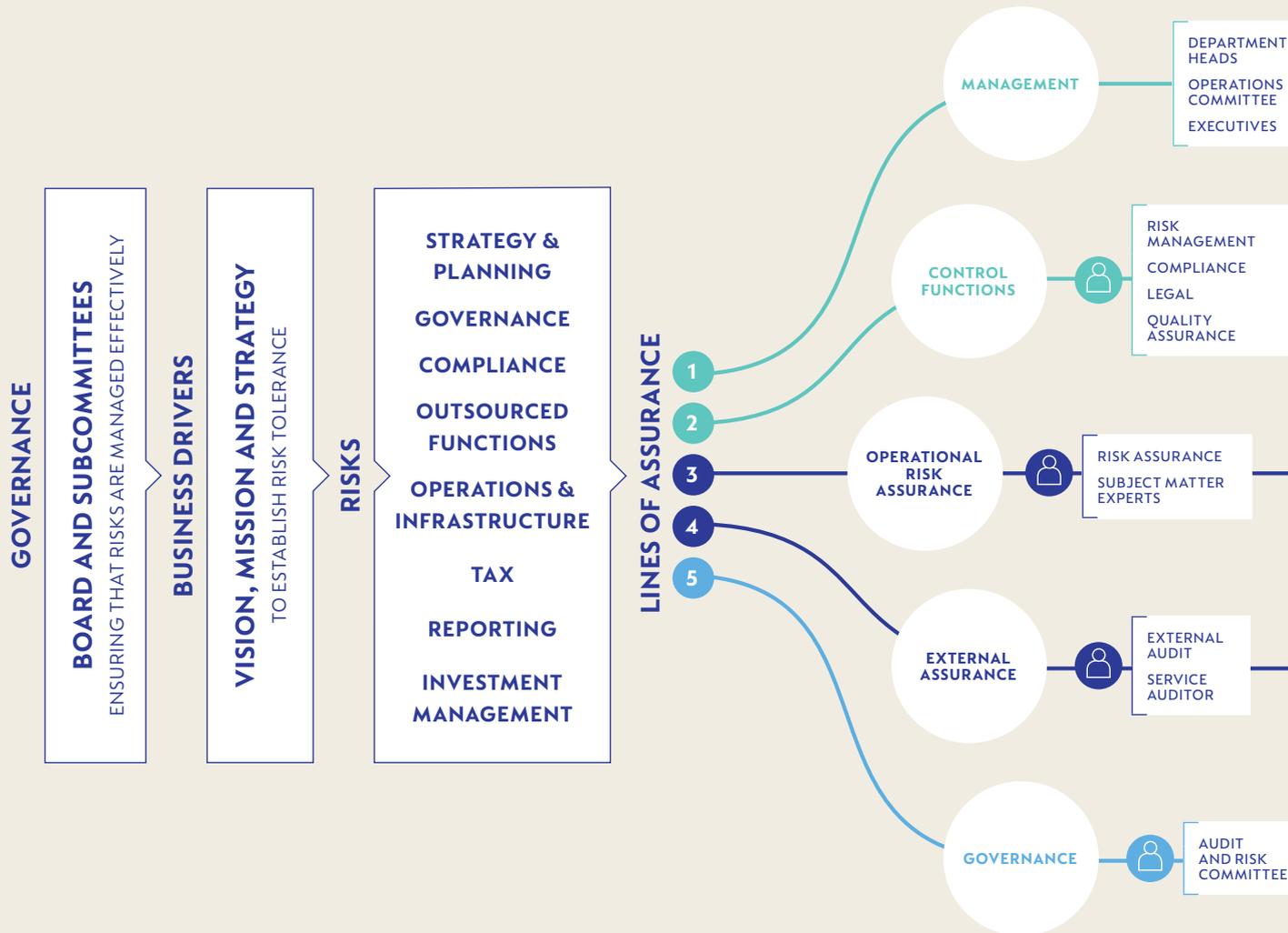
With the support of the Board and the Audit and Risk Committee, Coronation has implemented a combined assurance model (the model), comprising five lines of assurance as depicted below. The model enables an efficient and holistic approach to risk management and assurance activities across the Group that,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

The model recognises varying levels of assurance, ranging from management to independent external assurance, and is designed to maximise the value obtained from the five lines of assurance, while minimising duplication. Key aspects of our lines of assurance are as follows:

Management and control functions

Managers, as the first line of assurance, are primarily accountable for owning and managing risk in their departments. This includes designing and implementing effective controls to detect and/or prevent risks impeding the delivery of business objectives, 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.

(For more details, please refer to our Risk Management and Compliance reports on pages 80 and 85, respectively).



Operational risk assurance and external assurance

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. Operational risk assurance comprises the Risk Assurance Manager and various subject matter experts. The Risk Assurance Manager has free and unrestricted access to the Audit and Risk Committee to maintain the appropriate level of independence. The activities of operational risk assurance are guided by the Operational Risk Assurance Charter, which sets out 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 approved by the Audit and Risk 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 Audit and Risk Committee. This, coupled with the employment of a range of service providers, ensures that the Audit and Risk Committee obtains the appropriate level of independent and objective assurance.

The Audit and Risk Committee has considered and is satisfied with the arrangements of operational risk assurance, as well as the performance of the Risk Assurance Manager.

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 statement audit, conducted by the Group external auditor, as well as assurance of the Service Organisation Report by the Service Auditor 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, who was appointed in 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.

Risk governance

The external auditors, the Risk Officer, the Risk Assurance Manager and the Global Head of Risk and Compliance have unrestricted access to the Audit and Risk Committee Chairperson.

As designated by the Board, the Audit and Risk 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 page 77 for the Audit and Risk Committee report).

