



# INTEGRATED ANNUAL REPORT

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2019



**CORONATION**  
TRUST IS EARNED™

2019

Strong long-term investment performance across portfolios  
10-year anniversary of Global Capital Plus Strategy  
20-year anniversary of Optimum Growth unit trust fund  
Extracted efficiency benefits from new fund administration model implemented in 2018  
Level 2 B-BBEE contributor

- AUM: R571 billion
- Global employee complement: 337
- Employee ownership: 25%

2018

Strong long-term investment performance across portfolios  
Best Africa Fund Manager – Ai Capital Markets Index Series Awards  
10-year anniversary of Global Emerging Markets Strategy  
10-year anniversary of African Frontier strategies  
2018 Investors Choice Best UCITS non-Equity Fund – Coronation Global Managed  
Implementation of new fund administration model  
Migration to new black-owned unit trust client administration business

- AUM: R587 billion
- Global employee complement: 331
- Employee ownership: 24.4%

2017

Strong long-term investment performance across portfolios  
Global franchise AUM reaches R71 billion  
Launch of new administration model  
Reopening of South African Equity, Balanced and Absolute strategies to new institutional investors  
Fee reduction across a number of funds  
Best Africa Fund Manager – Ai Capital Markets Index Series Awards

- AUM: R614 billion
- Employee complement: 302
- Employee ownership: 25%

2016

Runner-up Best Large Fund House – 2016 Morningstar South Africa Awards  
Runner-up South African Management Company of 2015 (awarded in 2016) – Raging Bull Awards  
Best Africa Fund Manager – Ai Capital Markets Index Series Awards  
Rated Level 3 – Financial Sector Code

- AUM: R599 billion
- Employee complement: 290
- Employee ownership: 25%

2015

Best Large Fund House – 2016 Morningstar South Africa Awards  
Best South African Management Company of 2014 (awarded in 2015) – Raging Bull Awards  
Equities Manager of the Year, Global Manager of the Year – Batseta Imbasa Yegolide Awards  
Overall winner – Financial Mail Top Companies 2015  
Rated Level 3: Financial Sector Code

- AUM: R610 billion
- Employee complement: 278
- Employee ownership: 25%

2014

Best Large Fund House – 2014 Morningstar South Africa Awards  
Top Performing Company over five years – Sunday Times Top 100 Companies  
Best Domestic Management Company of 2013 (awarded in 2014) – Raging Bull Awards  
Overall winner – Financial Mail Top Companies 2014  
Rated Level 3: Financial Sector Code

- AUM: R588 billion
- Employee complement: 274
- Employee ownership: 24%

2013

Best Large Fund House – 2013 Morningstar South Africa Awards  
Top Performing Company over five years – Sunday Times Top 100 Companies  
Best Domestic Management Company of 2012 (awarded in 2013) – Raging Bull Awards  
Overall winner – Financial Mail Top Companies 2013  
Rated Level 3: Generic Codes on B-BBEE

- AUM: R492 billion
- Employee complement: 246
- Employee ownership: 25%

2012

Best Large Fund House – 2012 Morningstar South Africa Awards  
Best Africa Fund Manager – Ai Index Series Awards  
3rd Best-performing Company over five years – Sunday Times Top 100 Companies  
Runner-up Financial Mail Top Companies 2012  
Rated Level 3: Generic Codes on B-BBEE

- AUM: R339 billion
- Employee complement: 218
- Employee ownership: 29%

2011

Best Large Fund House – 2011 Morningstar South Africa Awards  
Africa Fund Manager Performance Award for Coronation Top 20 South Africa (Best South Africa Equity Fund of the Year)  
Equities Manager of the Year – POA Imbasa Yegolide Awards  
Rated Level 4: Generic Codes on B-BBEE

- AUM: R247 billion
- Employee complement: 201
- Employee ownership: 29%

2010

Best Africa Fund Manager – Ai Index Series Awards  
Rated Level 4: Generic Codes on B-BBEE

- AUM: R200 billion
- Employee complement: 189
- Employee ownership: 30%

2009

Reopened Absolute Return unit to new institutional investors  
Rated Level 4: Generic Codes on B-BBEE

- AUM: R155 billion
- Employee complement: 181
- Employee ownership: 30%

1999

First to introduce absolute return products to the South African market  
London operation established  
Revolutionised industry by offering pooled products through Coronation Life Assurance Company

- AUM: R28 billion
- Employee complement: 80

2000

Runner-up Raging Bull Unit Trust Company of the Year

- AUM: R44 billion
- Employee complement: 96

2001

Best Unit Trust Provider in PwC Survey of South African Bankers  
Top 10 rating in Deloitte 'Best companies to work for' survey  
Runner-up Raging Bull Unit Trust Company of the Year

- AUM: R48 billion
- Employee complement: 116

2002

Launch of Kagiso Asset Management  
Raging Bull Unit Trust Company of the Year  
Second-best Larger Unit Trust Group over one and three years – Financial Mail/Standard & Poor's Awards

- AUM: R60 billion
- Employee complement: 131

2003

Publicly listed on the Johannesburg Stock Exchange  
Runner-up Raging Bull Unit Trust Company of the Year  
Best Larger Unit Trust Group over one year – Financial Mail/Standard & Poor's Awards  
First asset manager in South Africa to gain GIPS compliance  
Best Unit Trust Provider in PwC Survey of South African Bankers

- AUM: R54 billion
- Employee complement: 133

2004

Raging Bull Unit Trust Company of the Year

- AUM: R64 billion
- Employee complement: 138

2005

Launch of Coronation Fund Managers (Botswana)  
Developed a range of retirement products for the retail market  
Raging Bull Unit Trust Company of the Year  
Formation of the Imvula Trust – our B-BBEE partner  
Closure of Absolute Return unit to new institutional investors

- AUM: R82 billion
- Employee complement: 140

2006

Formation of PPS Investments  
Symmetry Hedge Fund Award – Coronation Granite Fixed Income

- AUM: exceeded R100 billion
- Employee complement: 155
- Employee ownership: 28%

2007

Signatory to the United Nations' Principles for Responsible Investment (UN PRI)  
Launch of Global Emerging Markets unit trust fund  
Launch of Africa unit

- AUM: R134 billion
- Employee complement: 169
- Employee ownership: 31%

2008

Launch of two Africa strategies

- AUM: R125 billion
- Employee complement: 174
- Employee ownership: 31%

1998

Dublin operation established  
Three new unit trusts launched  
Established FinSource (now Maitland Fund Services), a provider of outsourced back-office services

- AUM: R26 billion
- Employee complement: 72

1997

Formation of Namibia Asset Management and Namibia Unit Trust Managers  
Launch of first retail international fund of hedge funds in South Africa

- AUM: R20 billion
- Employee complement: 52

1996

Unit Trust Company formed  
Launch of international fund of funds business following exchange control deregulation in South Africa  
Launched equity long/short hedge fund

- AUM: R12 billion
- Employee complement: 50

1995

Appointed to manage first large institutional client in Swaziland

- AUM: more than doubled to exceed R7 billion
- Employee complement: 31

1994

First democratic elections in South Africa  
Upper quartile in all investment performance surveys

- AUM: R3 billion
- Employee complement: 19

1993

Investment team forms Coronation Fund Managers and starts managing third-party assets

- Employee complement: 18

Creating value that earns our clients' trust, year after year.



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# Scope of the report

*This report covers the performance of Coronation Fund Managers Ltd and its wholly-owned subsidiaries (Coronation; or the Company; or the Group) for the period under review and how we strive to create long-term value for all stakeholders.*

While the report focuses on the requirements of shareholders, all material stakeholders are considered, including our clients, without whom we have no business; our employees, who play a critical role in our delivery of long-term investment performance and client service; and the communities in which we operate.

This report has been compiled, where applicable, in compliance with International Financial Reporting Standards (IFRS), the Companies Act, No. 71 of 2008, as amended, and the Listings Requirements of the Johannesburg Stock Exchange.

The content of the report is additionally guided by the principles of the King IV™ Report on Corporate Governance for South Africa, 2016 (King IV™), the International Integrated Reporting Council's (IIRC) International Integrated Reporting <IR> Framework, the Global Reporting Initiative (GRI) Standards, as well as recommendations of the IIRC and the Integrated Reporting Council of South Africa (IRCSA). Our King IV™ application register is published on [www.coronation.com](http://www.coronation.com).

In considering the application of the six capitals as recommended by the IIRC, the financial, human, intellectual, and social and relationship capitals are the most material to our business in creating value for stakeholders, and thus are the focus of this report. As an active fund manager, it is the intellect, skill, knowledge and wellbeing of our people that enable us to deliver on our business objectives. Accordingly, the business has a lower impact on natural and manufactured capitals.

- Insight into our value creation process (→ [page 28](#))
- Human and intellectual capital (→ [page 47](#))
- Social and relationship capital (→ [page 43](#))
- Corporate citizenship (→ [page 21](#))
- Financial performance (→ [page 93](#))
- Sustainable investing (→ [page 18](#))

## DIRECTORS' APPROVAL

The Board of Directors acknowledges responsibility for ensuring the integrity of this report. The directors have applied their collective minds and agree that all aspects covered in the preparation and presentation of this report are deemed to be material to the business in creating value for its stakeholders and that performance has been fairly presented. The content of this report has, accordingly, been approved for the year ended 30 September 2019.

The directors have reviewed the financial statements and the content of this report and are satisfied that the Group has adequate resources to continue operating for the foreseeable future. For this reason, the financial statements have been prepared on the going concern basis. Summarised financial performance is included in this report (→ [refer to page 93](#)). The full set of audited annual financial statements and the auditor's report can be found in the shareholder information section of our website at [www.coronation.com](http://www.coronation.com).

All information is reported for the year ended 30 September 2019, unless otherwise indicated.

Shams Pather	Anton Pillay
Alexandra Watson	Hugo Nelson
Jock McKenzie	Judith February
Lulama Boyce	Madichaba Nhlumayo
Mary-Anne Musekiwa	



# Our business

*For 26 years, we have been growing long-term wealth for our institutional and personal investment clients. As a committed corporate citizen, we have also been active in the transformation of the financial services sector, empowering our employees and benefiting the communities in which we operate.*

## A PROUD SOUTH AFRICAN COMPANY

As one of the largest independent asset managers in South Africa, we invest the long-term savings of millions of South Africans. Our clients include individuals, retirement funds, medical schemes and financial institutions. We also manage assets for several leading international retirement funds, endowments and family offices. Our core objective is to deliver investment excellence, which is underpinned by five focus areas, namely: excellent long-term performance, building a global franchise, world-class client service, active corporate citizenship, and effective governance.

Our culture and values are important factors in delivering on our commitment to be responsible stewards of our clients' assets, and we understand that we have been granted a social licence to operate. We earn this in the way in which we invest and in the way in which we operate. We achieve this through considering environmental, social and governance (ESG) factors in our investment decision-making process, our corporate citizenry and corporate social investment projects.

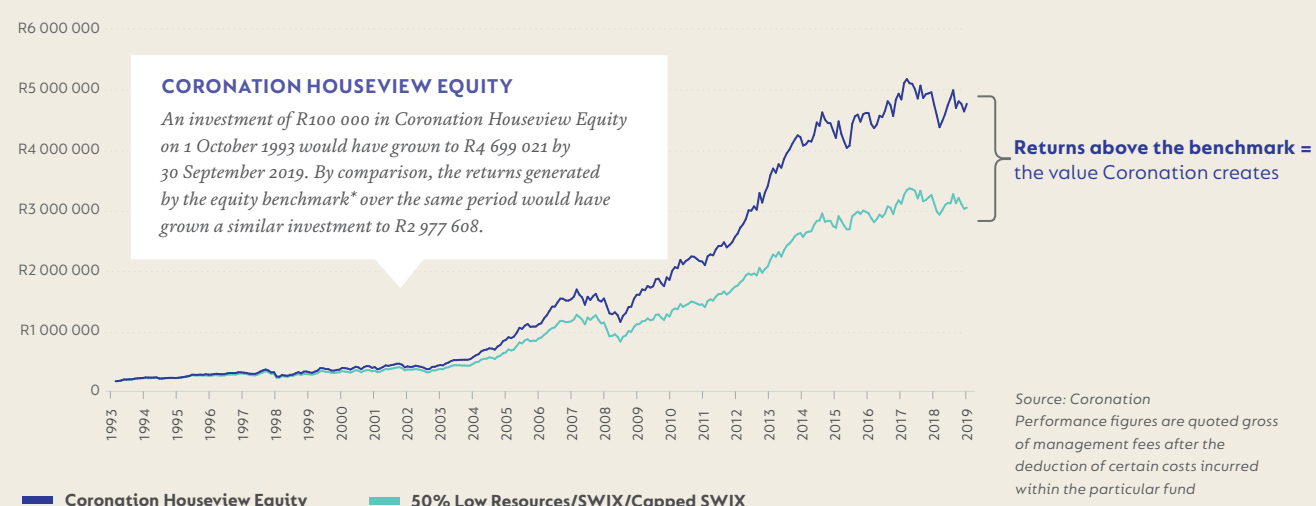
## STRONG LONG-TERM INVESTMENT OUTPERFORMANCE

### VALUE CREATED

# 58%

more than the market's return since inception

Evidence of our ability to deliver attractive and sustainable financial outcomes for clients is the long-term performance across our fund range, which remains compelling. Of our institutional portfolios, 97.5% have outperformed their benchmarks since inception<sup>1</sup>, while all of our flagship unit trusts rank first or second in their respective Association for Savings and Investments South Africa categories since inception.



<sup>1</sup> As at 30 September 2019; institutional domestic funds with a 10-year+ history

\* FTSE/JSE Capped Shareholder Weighted Index from 01 May 2017. Previously 50% Resources (inception to 31 January 2002) and FTSE/JSE Shareholder Weighted Index (01 February 2002 to 30 April 2017).

## TRANSFORMING OUR BUSINESS EVERY DAY

### Transforming our business from within

We are a proud South African business.



Successfully recruited, trained and retained exceptional black and female talent across our business since 1993.

# 56%

black employees

# 49%

female employees

# 78%

of our Board members are black

# >R225bn

of total AUM managed by black investment professionals

Transformation figures refer to South African-based employees.

### Advancing transformation in our industry

Pre-dating BEE legislation in South Africa, we pioneered corporate initiatives that have contributed to meaningful transformation and the development of skills in the financial services industry.

Established **3 independent** black businesses

African Harvest Fund Managers

Kagiso Asset Management

Intembeko Investment Administrators

Since 2006, we have allocated

# >R300m

in brokerage to black stockbrokers through the Coronation Business Support programme

Over the past decade, we have funded and trained

# 120

black IFA practices through the ASISA IFA Development Programme

# 27

analysts through the Vunani Securities Training Academy

\* as measured by the revised Financial Sector Code  
All figures are as at 30 September 2019, unless otherwise stated.



# Our culture

Coronation is 25% employee owned, creating a high-performance meritocracy that is characterised by curiosity, diversity and inclusivity.



## OUR VALUES

### We always put clients first

As an investment-led business, our focus is to grow the value of the client assets entrusted to us over the long term. Our clients allocate assets to us because they trust us to manage their capital responsibly. As we are independent, our success depends on our ability to provide a world-class client experience, including client service and performance, while playing our part as an active corporate citizen (→ [refer to page 30](#)).

### We always act with integrity

At Coronation, we believe trust is earned. We have a fiduciary responsibility to our clients to act with uncompromising integrity. Employees are expected to maintain the highest ethical standards in everything they do (→ [refer to page 85](#)).

### High performance culture

We are a meritocracy and believe in rewarding employees for their individual contribution to their team and the Group. We have a culture of excellence, and one that is attractive to highly-skilled investment professionals (→ [refer to page 47](#)).

### Ownership

Our business is 25% employee owned. We believe that asset management companies should be owner managed. Ownership empowers employees and entrenches long-term thinking across all areas of the business. This aligns with our investment philosophy, business objectives and remuneration approach. Our culture of ownership is reflected in the large number of our employees who participate in long-term incentives, which have had vesting periods ranging from one to seven years, currently extending as far as 2024 (→ [refer to page 59](#)). Ownership aligns employees' interests with those of all other stakeholders.

### Long-term thinking

We believe a key risk to the investment industry is that market participants increasingly focus on the short term. This is a fundamental mismatch given the typical long-term objectives of most pension funds and individual investors. Coronation has an unrelenting focus on the long term, both from an investment and business perspective. Where we identify value, we are willing to endure short-term underperformance in our pursuit of compelling, long-term outcomes for clients (→ [refer to page 31](#)).

### Team-based organisation

Our people are critical to our success. While we know that all strong teams are underpinned by strong individuals, we encourage employees to place the organisation first and collaborate well as part of a strong, cohesive team (→ [refer to page 47](#)).





# 2019 at a glance

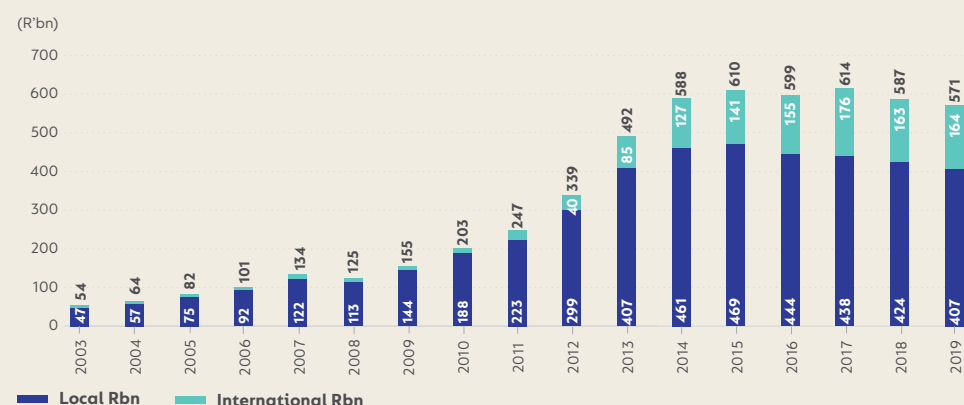
DILUTED  
HEADLINE EARNINGS  
PER SHARE

341.9

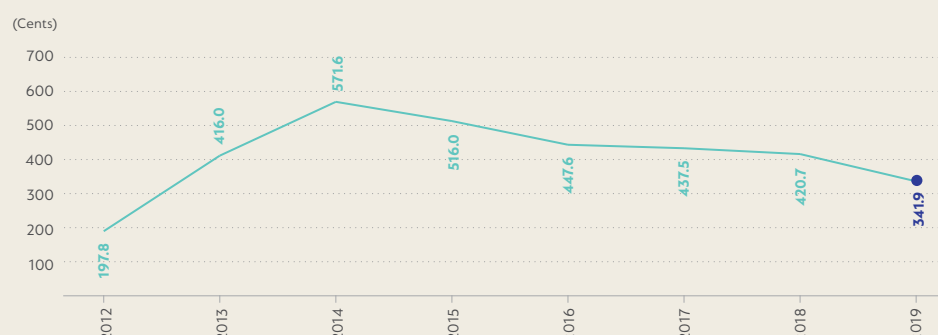
COST-TO-INCOME RATIO

53.6%

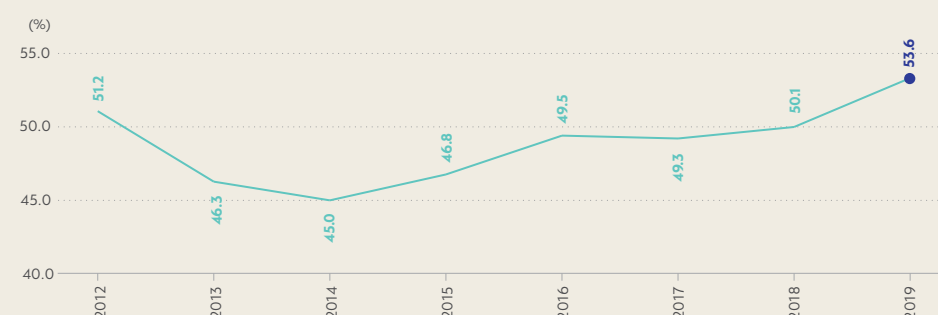
## ASSETS UNDER MANAGEMENT



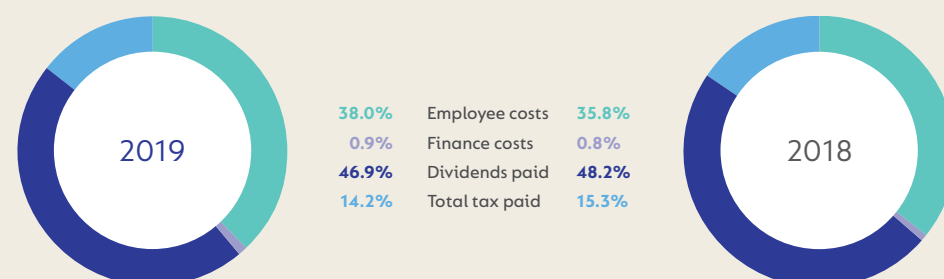
## DILUTED HEADLINE EARNINGS PER SHARE



## COST-TO-INCOME RATIO



## ALLOCATION OF FINANCIAL VALUE TO STAKEHOLDERS



WE INVEST

R265bn

on behalf of South African  
institutional clients

WE INVEST

R66bn

on behalf of international  
retirement funds, endowments  
and family offices

WE INVEST

R240bn

on behalf of investors in  
unit trusts, retirement  
annuities, provident funds  
and tax-free investments

## OUR SOUTH AFRICAN INSTITUTIONAL BUSINESS

### Take outs

- ▶ Clients representing more than 50% of our total South African institutional assets have been invested with Coronation for more than 10 years.
- ▶ Of these client assets, 97.5% have outperformed their benchmarks since inception (on an asset-weighted basis).
- ▶ All our domestic institutional portfolios with a track record of more than 10 years have delivered enviable active returns since inception.
- ▶ We experienced net outflows of R23.9 billion in line with industry experience, mainly as a result of weak local economic conditions.

### Challenges and outlook

- ▶ Negative conditions continue from 2018, as weak economic growth continues to depress the local formal savings market.
- ▶ The South African retirement fund industry continues to see net outflows.
- ▶ Policy inertia poses a threat to investor confidence.

## OUR GLOBAL INSTITUTIONAL BUSINESS

### Take outs

- ▶ All of our global strategies with a track record of more than a decade have delivered meaningful alpha since inception:
  - › Coronation Global Emerging Markets Equity Strategy has delivered an active return of 4.2% p.a. since inception.
  - › Coronation Africa Frontiers Strategy has delivered an active return of 6.4% p.a. since inception.
- ▶ Net outflows of R7.0 billion reflect the ongoing material shift from active to passive strategies.

### Challenges and outlook

- ▶ Global growth has slowed and is expected to stabilise at weaker levels; geopolitics is impacting markets.
- ▶ Global solutions remain under pressure from passive products, fees and increased global competition.
- ▶ Increased demand for the integration of environmental, social and governance factors in the investment decision-making process and a tightening regulatory environment.
- ▶ Nonetheless, we are confident in the long-term outlook for our global strategies. (→ Refer to page 24).

## OUR SOUTH AFRICAN PERSONAL INVESTMENT BUSINESS

### Take outs

- ▶ Long-term performance remains compelling, with all our flagship unit trust funds ranking first or second in their respective ASISA categories since inception.
- ▶ We have seen a solid recovery in absolute and relative performance during 2019.
- ▶ Our retail asset base remained stable in the period under review.

### Challenges and outlook

- ▶ The retail savings market remains under pressure due to a sluggish economy and weak historical market returns.
- ▶ De-risking of portfolios is evident across the industry, with net outflows from long-term funds offset by strong flows into income, bond and cash funds.
- ▶ In this negative environment, we remain strongly focused on delivering an excellent client experience.



# Chairman's statement

**SHAMS PATHER**

BBUSC, BCOM (HONS), MBA



*"We remain singularly focused on delivering an exceptional client experience."*

Coronation is a homegrown South African business that manages the savings of millions of South Africans and a broad geographical base of international clients – a responsibility that we take very seriously. As an investment-led business, we remain singularly focused on delivering an exceptional client experience through long-term wealth creation, service excellence and the contribution we make to society as a corporate citizen and through our CSI initiatives.

Since 1993, the business has grown to be one of the largest independent asset managers in the country and is currently operating in an environment of prolonged uncertainty in South Africa and the world. As anaemic local growth stunts job creation and global economic policy is being overshadowed by geopolitics, our long-term, valuation-based investment philosophy enables us to look through the noise to effectively navigate the challenges.

## South Africa 2019

South Africa's political landscape is in transition from a decade of maladministration towards painful stabilisation. As a consequence, growth has suffered, and our ailing economy is in desperate need of tangible action. While the market welcomed Finance Minister Tito Mboweni's surprise release of the National Treasury's plans to boost growth and create jobs, to move the country forward, we need to see some tough decisions being made and some real progress.

In November last year, Standard & Poor's further warned South Africa on its poor outlook and Moody's remains the only rating agency that rates South Africa as an investment-grade country and has provided the country with much leeway over the last 12 months. Its recent statements suggest that it will continue to do so, given the reform intent of government. However, if there are no substantial efforts to fix the problems the country faces, South Africa could be downgraded by the third quarter of 2020. The path to recovery is still unclear.



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*“Coronation’s financial results for the 12 months to end-September 2019 reflect the impact of continuing weaker economic conditions.”*

## The investment environment

Across global economies, growth has decelerated since late 2018, mostly due to moderation in China. This has been compounded by falling global trade volumes and the escalation in the US-China trade war. Elsewhere political tensions remain high as the Hong Kong protests continue, the Middle East remains a source of instability, Brexit continues with its own fraught political uncertainty, and US President Donald Trump continues to be a disruptor across a range of issues and geographies.

Central banks in the US, the EU, Japan and across emerging markets have increased monetary support for their economies in response to this weakness and the uncertainty it poses to domestic growth.

Ultimately, the outlook for global growth will be in the balance between supportive monetary and fiscal policies for reasonably solid domestic demand, and an ongoing deterioration and heightened escalation in uncertainty playing out in global trade. Notwithstanding the pronounced uncertainty, we expect global growth to stabilise for now at weaker levels as policy support matures.

## Business overview and strategy

As one of the largest investment managers in the country, our net flows reflect that of the broader industry, which is being impacted by a shrinking pool of formal savers and aggravated by the weak economic environment. As a result, we saw total net outflows of R43.9 billion (7.5% of our opening balance) for the period under review. Until such time that industry flows turn positive, net flows are expected to remain negative. We do not anticipate a reversal in net flows anytime soon.

Given this environment, as at year end, total assets under management (AUM) declined by 2.7% to R571 billion. Compared to that of the previous reporting period, a decrease of 5.9% in average AUM was a result of the sustained weak markets. This contributed to a revenue decline of 14.5% to R3.3 billion. Operating expenses decreased by 6.9%. Fixed costs increased by 2.4%, and variable costs decreased by 11.7%, demonstrating the power of our model in which costs typically decrease in periods of

declining revenue. The combined effect was a decrease of 18.7% in diluted and basic headline earnings per share to 341.9 cents (September 2018: 420.7 cents).

Coronation’s financial results for the 12 months to end-September 2019 reflect the impact of continuing weaker economic conditions, affecting both market returns and the formal savings sector. Domestic equities were up only 1.9%, with emerging market equities up 4.8% in rand.

We are pleased with the good short-term performance for the period under review, but our long-term performance remains the true measure of our ultimate success on behalf of our clients and stakeholders.

From an operational perspective, we continue to extract efficiencies following the implementation of major administration and systems changes in the prior and current financial years, which bodes well for both our clients and other stakeholders in the long term.

## Global expansion

Continuing to build on our global franchise is a key part of our strategic vision. Our international AUM increased in the year under review to R66 billion. All our global strategies, with a track record of more than a decade, have outperformed meaningfully since inception.

Net outflows represented 11.4% of our opening AUM; a reasonable outcome, given the ongoing material shift from active to passive strategies. That said, we remain confident in the long-term outlook for our global strategies as well as our value proposition to clients through active management.

## Governance

The Board and the management team continued to engage with our stakeholders with the aim of enhancing our alignment with their needs. As stated last year, we have added malus and clawback to our Remuneration Policy, which is effective this year. We have increased the diversity and size of the Board of Directors with the appointments of CFO Mary-Anne Musekiwa as an executive director and Madichaba Nhlumayo as non-executive director.

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*“We have increased the diversity and size of the Board of Directors ”*

## Corporate citizenship

We continue to play a meaningful role in ensuring an inclusive society in South Africa. In addition to our impactful corporate social investment initiatives, we have a notable track record in development training, support for small businesses and enterprise development. (→ [Refer to page 21](#)).

We have invested R10 million in the South African Small and Medium-Sized Enterprises Fund, which was established by the CEO Initiative to help solve South Africa's economic challenges by investing in promising small and medium-sized entities. We also became signatory to the CEO Circle – a pledge by big business to support black entrepreneurs and small businesses; and continue to support the YES Programme, which aims to address youth unemployment and upskilling them through job placement.

Recognising our place in the larger economic ecosystem of stakeholders, we will continue to play an active role in ensuring a well-governed industry and inclusive society. While our corporate citizenry efforts may only yield visible results over the long term, current action is needed for sustainable growth and, as an industry stakeholder and client fiduciary, Coronation will continue to invest appropriately in the industry and economy.

## Conclusion

While markets and economies continue to be uncertain, as a business, we will continue to focus on clients, which ultimately will ensure the long-term sustainability of the business. We continue to reward shareholders through regular and significant distributions of free cash flow generated.

Notwithstanding some very encouraging outperformance of our clients' portfolios in 2019, our financial results for the year ended 30 September 2019 reflect the weak economic environment, which has affected both market returns and the formal savings industry. While conditions have been tough, our compass remains a long-term valuation-based investment philosophy and we are optimistic about the opportunities that key markets are presenting. We believe that our success in delivering long-term value and excellent service will ultimately benefit all stakeholders.

## A note of gratitude

A resilient corporate culture and strong values that are lived every day in a business really matter in challenging markets and uncertain times. I must commend all our employees who uphold the values that have driven us since inception and work hard with integrity and purpose to achieve excellence in all areas of the business. I also thank my fellow Board members for the valued wisdom, clarity and direction that they bring with a collaborative spirit to the table. We also bid farewell to outgoing CFO John Snalam, and wish him all the best in retirement.

On behalf of us all at Coronation, I thank our clients, intermediaries and shareholders for your ongoing support, and for entrusting us with growing your investments. We are, as always, committed to earning your trust.



# Chief Executive Officer's review

ANTON PILLAY

BBUSC, CA(SA), CFA, AMP (HARVARD)



*“Coronation remains committed to the role that we play in the national dialogue.”*

In my 2018 review, I noted some hard truths emerging from the South African economic and political landscape. The Zondo Commission threw into stark focus the true extent and cost of years of state capture and corruption. These revelations continued into 2019 and, while increasingly difficult to hear, are necessary to restoring consumer and investor trust.

Promising moves in 2019 included a reconstituted Cabinet, signalling a welcome phasing out of the old guard, the appointment of a new National Director of Public Prosecutions, Minister Tito Mboweni's widely lauded paper on microeconomic reforms, and a new Eskom Chairperson. Also encouraging were a number of high-profile arrests made by the Hawks as 2019 drew to a close.

However, with a grim 2019 Medium-Term Budget Policy Statement laying bare the woeful state of the South African economy, it is apparent that policy action is now urgently required to quell legitimate investment concerns and boost confidence, not only among South Africans, but also with respect to the international community of ratings agencies and asset holders. While this will take time, we urgently need to start. Coronation remains committed to the role that we play in the national dialogue

and, more importantly, implementation.

We eagerly await further details on the implementation of turnaround plans for SOEs and the announcement of the National Budget in February to ascertain the extent of the fiscal restraint and possible new taxes. Positively, we believe the South African Reserve Bank has scope to cut rates more aggressively, and we expect at least two rate cuts in the coming year.

Notwithstanding the above headwinds and uncertainties, Coronation continues to focus on the long term, both from a business and investment perspective. While 2019 has, overall, been a much better year than 2018, we are mindful that our long-term performance remains the true measure of our ultimate success on behalf of our clients and stakeholders.

I would like to thank John Snalam, who has headed up our finance department since inception. His input and advice have been invaluable, and I wish him all the best for the next phase. I would also like to formally welcome incoming CFO and fellow executive director Mary-Anne Musekiwa, who is excellently positioned to assume the role and has benefited from a thorough handover from John. I am confident that she will build on this critical role going forward.

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*“We continue to deepen our focus on social and environmental factors in our company analysis through our proprietary research.”*

## Global operating environment

The global context in which we operate today is highly unpredictable and disruptive. Global events and trends appear to have protracted timeframes – their impacts are significant and drawn out over long periods of time with little resolution, resulting in prolonged market uncertainty. One simply has to look to Brexit, the US-China trade war, instability in the Middle East, the emergence of nationalist global leaders and fundamentalism for examples.

These factors have deeply affected the asset management industry in South Africa and abroad, not only from a returns perspective but also from an asset flow perspective. As an industry, the share prices and performance of active fund managers are under pressure. As a manager of global assets, we are profoundly impacted by global market trends. Across the globe, active asset managers, who were top performers only a few years ago, have experienced a reversal of fortunes, as passive fund managers continue to drive down fees and attract a greater share of global assets.

## Local operating environment

Domestically, South Africa's fiscal position has deteriorated rapidly, as expenditure growth has consistently exceeded revenue and government has accumulated more debt to meet the shortfall. This seems set to continue. The JSE has failed to deliver the level of returns expected, and the South African consumer remains under financial pressure, which has impacted the levels of savings and flows into the industry. This is largely the result of a decline in the number of employed people due to retrenchments, and a weak domestic economic environment in which many South Africans are being forced to live off their saved capital.

As we are a South African asset manager of significant size, our assets under management will naturally reflect the flows of the industry, which are currently negative. We expect flows to continue to be negative for the medium term until we see a restoration of South Africa's savings markets and an improvement in the state of the South African economy. The timing of this is difficult to predict.

As an investment-led business, our focus is to grow the value of the client assets entrusted to us over the long term, rather than growing the pool of assets under our management. Despite

the volatility in the market, companies such as ourselves, who use bottom-up fundamental analysis, have the ability to find opportunities in the market and deliver benefit in the long run. While we continuously emphasise that performance should be measured over the long term, it is worth noting that, during 2019, our short-term performance has been exceptional, given the tough operating environment.

## Compliance

Given corporate failures of the past, we remain very active owners of every single company we hold on our clients' behalf, regardless of whether our portfolios own 30% or 0.1% of a business. We vote at company AGMs and ensure that we have assessed every single resolution. Governance has always been a key focus for us, and we ensure that we hold management teams of investee companies accountable. We are also placing greater focus on the agents who represent shareholders, such as board directors, to ensure quality oversight and independence. Auditing firms are also under greater scrutiny and we vote against the appointment of those that have audited the same company for more than 10 years.

This action helps re-establish the link between auditors and shareholders and serves as a reminder that auditors do not report to management. Our process continues to seek out engagements with external parties such as suppliers, customers, and regulators to verify management information.

This year, we have informed all companies listed on the JSE that we will vote against their remuneration policies unless they include malus and clawback provisions. This allows us to hold individual members of management teams accountable, even after they have left the employ of the company, and we will use these learnings to optimise our processes.

## Stewardship

As the stewards of our clients' capital, we recognise that we have a responsibility to focus on the sustainability of our society and environment. We continue to deepen our focus on social and environmental factors in our company analysis through our proprietary research, which informs our engagement activities with investee company management teams relating to best practice in these arenas. As committed to in our last integrated annual

report, we published our first annual stewardship report in the first quarter of 2019, which outlined our approach to responsible investing. It also disclosed our corporate engagements and proxy voting activity and provided insight into the nature of these engagements through case studies, with both positive and negative outcomes. Our second annual stewardship report will be published on our website in the first quarter of 2020.

## Business review

Notwithstanding the enviable performance recovery of our portfolios in 2019, the overwhelming impact of a tough global market in 2019 affected both market returns and the formal savings sector.

Our institutional business now manages R331 billion on behalf of our South African and global institutional clients. In the personal investment space, we continue to manage a meaningful share of South Africa's retirement and savings assets, representing a total AUM of R240 billion, making us one of the largest independent managers of pension assets in the country.

In spite of a difficult five years, our success in building our clients' wealth over the long term is evident in the fact that local clients representing more than 50% of our total institutional assets have been invested with Coronation for more than 10 years. Of these client assets, 97.5% have outperformed their benchmarks since inception on an asset-weighted basis.

We manage a total of R66 billion in our global strategies on behalf of several leading international retirement funds, endowments and family offices, which is R5 billion up from the 2018 reporting period. And, while we saw net outflows representing 11.4% of our opening AUM, this is a reasonable outcome, given the ongoing material shift from active to passive strategies. That said, we remain confident in the long-term outlook for our global strategies as well as our value proposition to clients through active management.

All of our global strategies with a track record of more than a decade have delivered meaningful alpha since inception.

Our success in building our retail clients' wealth over the long term is evident in the fact that all of our domestic and global flagship unit

trust funds rank first or second in their respective ASISA categories since inception.

## Investment in our business

We continue to look after our clients, not only from an investment perspective, but also from a service perspective. We are now starting to see the efficiency benefits resulting from the successful implementation of our new fund administration model in 2018, which consolidated our asset administration service across local and offshore portfolios. We are also pleased with the outcome of our decision to migrate our unit trust client administration to Intembeko Investment Administrators, a black-owned business. Both of these implementations were undertaken with no impact on our clients or on our service levels.

We expect the full benefits of these implementations to be delivered over the next two years and that they will not only deliver a higher level of service to our clients, but will also enhance the protection of client data.

Despite the difficult market environment and weak returns, our service ratings remain exceptional, with a recent client survey reflecting positive feedback. We will continue to invest in our businesses and people and extract synergies and benefits from system implementations in our quest to remain a world-class asset management company.

## Corporate citizenship

We recognise that, as managers of the long-term savings of millions of South Africans, as well as several leading international retirement funds, endowments and family offices, we are a significant corporate citizen and are responsible for being part of the solution to South Africa's pressing challenges. In this light, we continuously engage with our shareholders, regulators, civil society groups and the communities in which we operate to promote and sustain economic growth, pursue transformation and deliver long-term value to our stakeholders.

As noted by our Chairman, Coronation has played an integral role in transforming the South African financial services sector over the past two decades. From a business transformation perspective, we are a Level 2 contributor to broad-based black economic empowerment, and we continue to focus on transforming our business, as well as the industry.

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*"We expect the full benefits of these implementations to be delivered over the next two years."*



78%  
*of our Board of  
Directors are black*

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With respect to our peers in the financial services sector and our staff complement, a respectable percentage of our senior leadership team is black, including our CEO, CFO, COO, Head of Institutional Business, Head of Fixed Income and Head of SA Equity Research, and, of our Board of Directors, 78% are black. However, we will continue to boost transformation via our training and recruitment initiatives. As a signal of our commitment and intent, and to make sure that we are accountable and measurable, we will be adding an annual Transformation Report to our reporting suite, which will be published on our website during the first quarter of 2020.

### Looking forward

The exhilarating Springbok win over England at the 2019 Rugby World Cup final reminded South Africa of what can be achieved when diverse players come together around a common goal and purpose.

As a company with a long-term focus, we are aware that nothing will change overnight. And, while the private sector is committed to playing its role in the issues that hold us back as a country, a certain level of action from other influencers and decision makers, including government and regulators, is needed.

Encouragingly, South Africa does not fit the profile of an economy in crisis, according to

standards applied by the International Monetary Fund. The stock of gross government debt is expected to hit 60% of GDP this fiscal year, but this is not yet alarming, even by emerging market standards. In addition, government remains able to raise funds in the open market and the proportion of debt that is denominated in foreign currency is relatively small, while local currency-denominated debt has a relatively long redemption lead time. While our current account deficit is relatively large, it has also been relatively steadily funded.

Despite the existing uncertainty, our investment philosophy remains focused on the long term. In a volatile environment, our aim remains to understand the true earnings power and cash-generation ability of the businesses in our universe and to own those that trade at a significant discount to their underlying value.

While conditions have been tough over the past five years, this has resulted in many attractively priced opportunities from which we, as active managers, can construct our client portfolios. In this regard, we are optimistic about the opportunities that key markets present and believe that clients should see better returns in the next five years.



# 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
<b>Global and worldwide funds</b>						
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



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*“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](http://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.*

### CLIENT SURVEY SHOWS

>90%

client loyalty rating

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





## 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 2006

>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 2006, 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

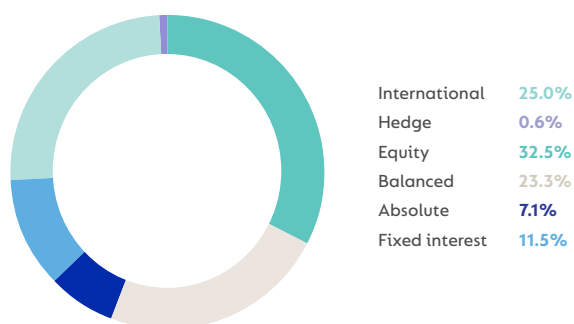
Since the launch of our global franchise in 2008, we have made great strides in establishing world-class track records across our entire range. Our specialist emerging markets equity and frontier markets strategies continue to attract a diversified client base from across the globe.

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](http://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.

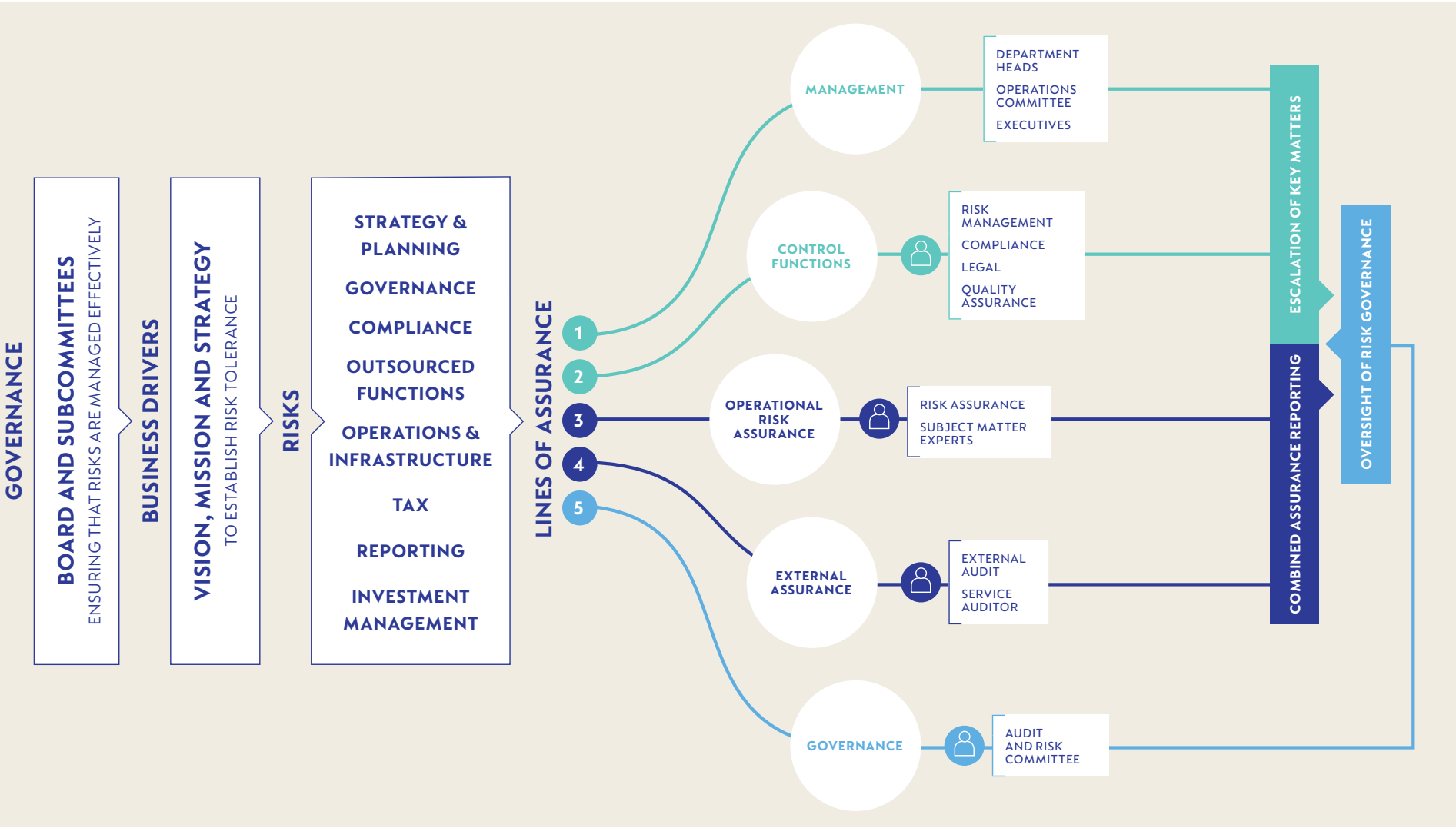
Nothing has come to the attention of the Audit and Risk Committee to indicate any material breakdown in the system of control during the year under review.

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).





# How Coronation created stakeholder value in 2019

Our focus on achieving the best possible investment returns for our clients also creates value for our other stakeholders – including shareholders, regulators and government, communities and our people. The following area of our Integrated Annual Report provides insight into how we match our activities to meet the needs of our various stakeholder groups.

## STAKEHOLDER NEEDS

### CLIENTS

- Strong long-term investment performance
- Appropriate and relevant product offering
- Competitive and transparent fees
- Excellent client service
- Information and investment security

### SHAREHOLDERS

- Ethical and sustainable business model
- Return on investment
- Transparent and timely reporting

### GOVERNMENT AND REGULATORS

- Compliance with regulations
- Transparent and proactive engagement with regulators and policymakers

### COMMUNITIES

- High-quality education
- Economic development and upliftment

### OUR PEOPLE

- Sustainable employment
- Recognition and reward for excellence
- Development and career growth
- Commitment to transformation

## CORONATION INPUTS

### INTELLECTUAL CAPITAL

#### HIGHLY SKILLED WORKFORCE

**64%**  
of the investment team is CFA certified

**76%**  
of employees have a NQF Level 7 qualification or higher

**68**  
investment professionals have an average of 10 years of experience at Coronation

### HUMAN CAPITAL

**337**  
employees globally

- Strong ethical culture of excellence
- Seasoned and well-respected leadership team

### FINANCIAL CAPITAL

#### REGULATORY CAPITAL

**R341m\***

**R136m**  
investment in information systems and other projects

**R21.1m**  
spent on training

\* Capital that the various subsidiary companies are legislatively required to hold

### SOCIAL AND RELATIONSHIP CAPITAL

- Leveraging off a leading brand in asset management
- Performance and service excellence
- Ongoing investment in education and entrepreneurship
- Corporate citizenship

## HOW CORONATION CREATES VALUE

We invest clients' savings to deliver strong long-term growth. All investments are made according to Coronation's investment philosophy:

*We invest for the long term in assets that are trading below our assessment of their real long-term value, based on our own exhaustive research to identify opportunities.*

## KEY RISKS AND CHALLENGES MANAGED

Ongoing negative domestic conditions as weak economic growth depressed local formal savings markets; geopolitics impacting global markets.

→ Institutional and personal investment-specific risks are on page 8

→ Key risks as detailed in the risk table on page 81

## HOW WE ENSURE VALUE CREATION FOR STAKEHOLDERS

### CLIENTS

Consistent execution of investment philosophy; regular fee and benchmark reviews; achieving rigorous client service targets; continuous enhancement of client platforms and correspondence; and world-class security measures.

### SHAREHOLDERS

Robust governance structures and ongoing investment in our business to create a world-class asset management company; consistent and sustainable operational performance and cost control; stable investment team; timely reporting and commentary; and regular dividend distribution.

### GOVERNMENT AND REGULATORS

Detailed compliance universe and monitoring plans; and continuous engagement with regulators to achieve a safer financial sector.

### COMMUNITIES

Strong focus on real outcomes to improve education and community development via our CSI programmes.

### OUR PEOPLE

Training and development; coaching and mentoring; performance-based remuneration; and employee ownership and empowerment.

## HOW WE CREATED VALUE FOR STAKEHOLDERS IN 2019

### CLIENTS → refer to page 30

- Strong long-term investment performance across portfolios
- Stewardship and engagement to enhance shareholder value
- Enhanced client service platforms
- Commenced rebuilding our online transactional website
- Regular distribution of insights and thought leadership communication

### SHAREHOLDERS → refer to page 38

- Dividend policy to distribute at least 75% of after-tax cash profit maintained
- Below industry employee turnover
- Increased engagement with shareholders
- Variable cost model protected shareholders from negative operating leverage

### GOVERNMENT AND REGULATORS → refer to page 42

- No regulatory fines or sanctions received
- Well-established team of experienced compliance professionals
- Total tax paid, including VAT where applicable: R694 million

### COMMUNITIES → refer to page 43

- Coronation's mathematics and literacy programmes benefited more than 13 539 children in the past year
- Increased allocations to programmes supporting job creation, education and skills development.

### OUR PEOPLE → refer to page 47

- Sustainable employment
- Recognition and reward of excellence
- Skills development and educational support
- Commitment to transformation and diversity

## HOW CORONATION CREATES VALUE FOR CLIENTS

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*We focus on excellent client service delivered via long-term investment outperformance, integrated stewardship of client assets, and building a transformed and inclusive financial services industry.*

### Our Client Charter

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We strive to always put clients first

We have an unwavering commitment to the long term

We focus on producing top performance over all meaningful periods

We are uncompromising about ethics



All our employees commit to the Coronation Client Charter and, as an independent asset manager with no tied assets, we are conscious of the fact that assets under our management can leave us on 24 hours' notice. Putting clients' needs first is key to our sustainability as a business.

Coronation has two primary client markets: institutional clients (South Africa and international); and personal investors (South Africa only). Employees are directly invested in the business and currently own 25% of the Company, while our Remuneration Policy aligns employees with client interests (→ [refer to our Remuneration Policy on page 55](#)). We strive to protect investment outcomes for clients, as demonstrated by our decision to close our institutional business to new clients in our South African equity and multi-asset class portfolios in 2012. They were subsequently reopened in 2017.

Further, we focus on consistent execution of our valuation-driven investment philosophy; regular fee and benchmark reviews; achieving rigorous client service targets; continuous enhancement of client service platforms and correspondence; and world-class security measures.

We are committed to:

#### No window-dressing of returns

- ▶ Institutional and retail clients are treated equally
- ▶ We were the first asset manager in South Africa to comply with the Global Investment Performance Standards: a set of standardised ethical principles promoting performance transparency and comparability

#### Appropriate funds and strategies

- ▶ We offer a complete institutional offering across asset classes and geographies
- ▶ Our focused range of domestic and international unit trust funds is grouped by investor need

#### Fees aligned with client interests

- ▶ When determining fees, we make allowance for our long-term ability to outperform the market over meaningful time periods, while also being fair and reasonable to both clients and the business
- ▶ As part of this commitment, we continually review fees to ensure they reflect market conditions and offer compelling value to both our retail and institutional clients

CORONATION IS

25%

employee owned

## A highly skilled and stable investment team

- A single, integrated global investment team, including 68 well-rounded professionals with the expertise to price for profit across sectors, asset classes and geographies
- On average, team members have 10 years of experience with Coronation
- Three former chief investment officers still actively manage money

## How we deliver investment outperformance

For over a quarter of a century, Coronation has invested its clients' assets according to the same disciplined philosophy. Coronation is an active manager, with a single long-term, valuation-driven investment philosophy. Through extensive proprietary research, we identify mispriced assets trading at discounts to their long-term business value. We are solely focused on assessing the long-term worth of a business and do not change positions based on the near-term earnings outlook, or on recent news flow.

- Our proprietary company research is supported by extensive first-hand scrutiny of potential holdings, including country visits and meetings with management, competitors, industry experts and other information sources.
- Consistent with our long-term investment horizon, we integrate environmental, social and governance (ESG) factors into our investment decision-making. We also engage and collaborate as an active shareholder, enabling us to more deeply understand the drivers of long-term value for companies in our portfolio, address key business risks and promote sound governance, all of which are consistent with our overall investment objectives. (→ refer to page 18).

- We manage risk in multiple ways, including requiring higher margins of safety to our valuations, calibrating the size of exposures, diversifying, monitoring various macro drivers and ensuring that risk is appropriately managed at a portfolio level.
- Our investment team has been remarkably stable for the past 10 years when compared to the industry, and we are privileged to have a large and experienced group of professionals with a deep knowledge of industries and asset classes across multiple geographies. We believe our investment strategy benefits from a culture that encourages individuals to challenge one another, making us less prone to error as a result of biases and or faulty assumptions.

We understand that all clients are different, with differing risk budgets and return targets. This is why we offer a complete fund range that includes multi-asset funds and building blocks (single-asset class funds). In this way, clients are empowered to select the fund that best meets their needs at a specific point in time. All clients receive the same investment outcomes in their chosen strategy – no matter their size, or whether they invested directly with Coronation or through their retirement fund or other intermediaries.

In our pursuit of generating long-term outperformance, we are fortunate that the majority of our clients understand this may, from time to time, come at the cost of underperformance in the short term. While these periods may be uncomfortable and testing, we have endured them many times throughout our 26-year history. We therefore know that they are an important part of our compelling and proven long-term investment track record.



## Institutional clients

*Our institutional strategies cover all asset classes across a number of geographies in both segregated and pooled mandates.*

We are one of the largest managers of institutional assets in South Africa. Our clients include pension and provident funds, medical schemes, major banking and insurance groups, as well as other asset managers, through their multi-manager offerings. Distribution is conducted primarily through investment consultants, multi-managers and umbrella funds. We also manage assets for a number of leading international retirement funds, endowments and family offices.

## Investment strategies

### SOUTH AFRICA

- Specialist Equity
- Specialist Fixed Income
- Global Multi-Asset
- Domestic Multi-Asset

#### Hedge funds

- Equity
- Fixed Interest
- Multi-Strategy

### GLOBAL EMERGING MARKETS

- Equity Long Only
- Equity Hedge

### GLOBAL

- Specialist Equity
- Global Diversified Growth
- Global Capital Preserver

### FRONTIER MARKETS

- Africa Frontiers (excluding South Africa)
- Global Frontiers

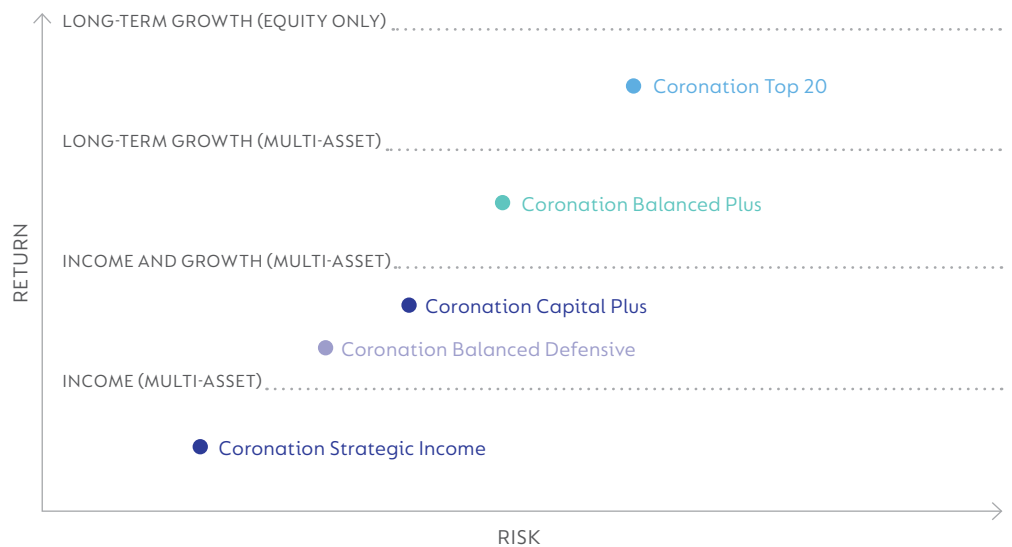
## Personal investment clients

*Our unit trust management company is one of the foremost managers of long-term assets in the South African collective investment schemes industry.*

We offer a comprehensive range of investments, including domestic and international funds, individual retirement and life products, and tax-free investments. All funds are directly available from Coronation. We also distribute through the non-affiliated channels of discretionary managers, independent financial advisers and third-party linked investment service providers. We focus solely on investment management; we are not involved in other areas of the value chain, such as investment platform administration and the provision of financial advice.

For South African investors, we offer a focused range of domestic and international funds, grouped by investor need:

### *Domestic flagship funds*



### *International flagship funds*



## Engaging with our clients

### Institutional

Each client is assigned a dedicated fund manager, who manages every aspect of service, including investment strategy, reporting and product-related matters. Our client service fund managers work closely with the portfolio managers to ensure that they are an effective liaison – while freeing the portfolio managers to focus on investment management.

In addition to the dedicated fund manager, a client relationship manager is allocated to each client to attend to all administration-related queries.

We provide comprehensive monthly and quarterly reports on our investment portfolios.

### Personal investments

A team of client service professionals respond to all client queries in accordance with strictly monitored turnaround times. All client-facing employees undergo intensive fund range and compliance training and are offered additional communication skills training. Financial advisers

are supported by Coronation investment specialists. Both direct clients and advisers receive regular communication covering a range of investment-related topics. This includes market insights and regulatory updates. In addition, our Company website provides extensive product information. We host comprehensive roadshows, meetings and presentations throughout the course of the year, and conduct focused market research via multiple customer touchpoints.

Further, to help advisers meet their Financial Intermediary and Advisory Services (FAIS) Act training and continuous professional development requirements, we offer Coronation-specific content, available on FAIS Exchange and other third-party platforms.

## 2019 outcomes for clients

### Long-term investment performance

All of our domestic institutional portfolios with a track record of more than 10 years have delivered remarkable active returns since inception\*.

## INSTITUTIONAL PERFORMANCE – SOUTH AFRICAN PORTFOLIOS

South African Specialist Equity	Annualised return	Active return
<b>Coronation Houseview Equity</b> Since inception in October 1993	16.0%	2.2%
<b>Coronation Aggressive Equity</b> Since inception in February 2002	15.7%	2.1%
Domestic Multi-Asset	Annualised return	Active/real return
<b>Coronation Global Houseview</b> Since inception in October 1993	15.5%	9.4% Real (after-inflation) return
<b>Coronation Managed</b> Since inception in May 1996	15.6%	9.7% Real (after-inflation) return
South African Specialist Fixed Income	Annualised return	Active return
<b>Coronation Strategic Bond</b> Since inception in January 2008	9.8%	1.2%
<b>Coronation Active Bond</b> Since inception in July 2000	11.4%	0.9%

\* All institutional performance returns are stated gross of fees as at 30 September 2019.

## INSTITUTIONAL PERFORMANCE – GLOBAL PORTFOLIOS

Global portfolios	Annualised return (USD)	Active/real return
<b>Coronation Global Emerging Markets Equity Strategy</b> Since inception in July 2008 (USD)	6.5%	4.2%
<b>Coronation Africa Frontiers</b> Since inception in October 2008 (USD)	7.3%	6.4%
<b>Coronation Global Equity Fund of Funds</b> Since inception in July 2000 (USD)	6.4%	1.6%
<b>Coronation Global Managed Strategy</b> Since inception in November 2009 (USD)	7.7%	5.9% Real (after inflation) return

All institutional performance returns are stated gross of fees as at 30 September 2019.

## UNIT TRUST PERFORMANCE – DOMESTIC AND INTERNATIONAL FUNDS

Fund name	Annualised return	Fund highlight
<b>Coronation Top 20</b> Since inception in October 2000	<b>16.9%</b> 3.6% p.a. alpha	Outperformed the market by 3.6% per annum over nearly two decades
<b>Coronation Market Plus</b> Since inception in July 2001	<b>15.0%</b> 9.1% p.a. real return	Outperformed all South African multi-asset flexible funds since inception
<b>Coronation Balanced Plus</b> Since inception in April 1996	<b>14.1%</b> 7.8% p.a. real return	The number 1 balanced fund in South Africa since inception
<b>Coronation Capital Plus</b> Since inception in July 2001	<b>11.6%</b> 5.8% p.a. real return	The number 1 multi-asset medium equity fund in South Africa since inception
<b>Coronation Balanced Defensive</b> Since inception in February 2007	<b>9.4%</b> 3.4% p.a. real return	The number 1 multi-asset low equity fund in South Africa since inception
<b>Coronation Strategic Income</b> Since inception in July 2001	<b>10.2%</b> 2.5% p.a. ahead of cash	The number 1 multi-asset income fund in South Africa since inception
<b>Coronation Global Opportunities Equity [ZAR] Feeder</b> Since inception in August 1997	<b>12.3%</b> 0.5% p.a. alpha	Outperformed the global equity market by 0.5% per annum over more than two decades
<b>Coronation Global Managed [ZAR] Feeder</b> Since inception in October 2009	<b>13.4%</b> 8.2% p.a. real return	The number 1 global multi-asset high-equity fund in South Africa since inception
<b>Coronation Optimum Growth</b> Since inception in March 1999	<b>14.3%</b> 8.3% p.a. real return	Outperformed global equities (as measured by the MSCI World) with significantly less volatility since inception

Rand returns; performance returns are stated net of fees for the respective retail classes as at 30 September 2019. For the highest and lowest actual and annual figures as well as fund benchmarks, refer to the comprehensive fund fact sheets available on [www.coronation.com](http://www.coronation.com).

## Client service

We aim to provide excellent service to all our clients. On any given day, we have over 2 000 personal investment client interactions (calls, emails, logins to our website, face-to-face engagements) and each interaction is an opportunity to meet our clients' expectations and build trust. We maintain a comprehensive complaints policy, and have established systems and procedures to identify, investigate and resolve any client complaints. Our institutional clients each have direct access to a dedicated client fund manager.

## Fair fees

Our fees are aligned with the interests of our clients. Reflecting this, some of our unit trust funds with performance fee structures discounted fees by up to 0.5% during the financial year as a result of failing to outperform their benchmarks over the five years preceding the valuation point.

## Stewardship

To ensure that our clients are familiar with how we interact with investee companies and vote our proxies, we released our first Stewardship Report in 2019. The report outlines our approach to responsible investing and how we integrate, engage and collaborate on environmental, social and governance issues to unlock value for our clients. It also discloses our corporate engagement and proxy voting activities and provides insight into the nature of these engagements through case studies with both positive and negative outcomes (→ *refer to Sustainable investing on page 18 or download the full report from [www.coronation.com](http://www.coronation.com)*).

## Fees aligned with clients' interests\*



### BASE FEE

Set significantly below  
typical fixed-fee rates

### PERFORMANCE FEE

Only charged when we  
deliver outperformance of  
an investable index

Credited with a

### DISCOUNT

if we underperform  
appropriate benchmarks  
over a FIVE-year period  
until outperformance  
resumes

\* Personal investments fees

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*“Our focus remains on delivering investment excellence... while continuing to deepen our stewardship journey.”*

## Client communication

We provide our clients with regular investment information, including through our quarterly publication, Corospondent, which is distributed to both clients and advisers. To align our communication strategy with the changing consumption patterns of our clients, we broadened our channels to include podcasts and have increased our thought-leadership presence in the media. Additional channels of communication include our corosconnect adviser information portal and ad hoc client mailers on topical issues.

Our regular Conversations with Coronation presentation series continues to enjoy strong support from the professional adviser market.

Institutional clients and top independent financial advisers are invited to our annual investment and thought leadership conference, Talking Investments with Coronation. Here they enjoy the insights of Coronation investment professionals and industry thought leaders from across the globe.

Most of the content listed above is accredited for continuous professional development as required by the FAIS Act.

## Appropriate strategies, funds and accounts

We offer a comprehensive institutional offering across asset classes and geographies, and our focused range of domestic and international unit trusts is suitable for most investor needs. We will also adapt our range to changes in the regulatory environment, if and when the need arises. We only develop new funds when we believe that a new mandate can sustainably meet a clearly defined investor need, and in areas where we have adequate capacity, resources and expertise to deliver competitive results over meaningful periods.

## Client security

We continue to monitor and invest in technology that ensures our clients' information is secure and that their investments are protected (→ [refer to page 88](#))

## Focus for the year ahead

Our focus remains on delivering investment excellence for our clients. We will seek to deliver exceptional performance across all our strategies and build on our current long-term outperformance by adhering to our strict investment philosophy and maintaining a stable investment team, while continuing to deepen our stewardship journey through our proxy voting and investee company engagement activities (→ [refer to page 19](#)).

We will ensure that we maintain and improve relationships and service levels with our clients, and continue to actively engage and communicate with them. Additionally, we will investigate new products in line with the changing investment landscape.



## HOW CORONATION CREATES VALUE FOR SHAREHOLDERS

We aim to create sustainable value for shareholders by:

- delivering consistent operational and financial performance;
- adhering to the highest corporate governance requirements;
- maintaining significant distributions of free cash flow; and
- continuous engagement with shareholders.

It is important for shareholders to understand that Coronation always places the needs of clients first. Our business is cyclical, and revenue is geared to market returns and the level of performance we generate on behalf of clients. Fundamentally, we are a cash-generative business, with regular and significant distributions of free cash flow generated paid out to shareholders. This is unlikely to result in a smooth earnings stream. Short-term volatility is intrinsic in our business model, and shareholders should assess the business by looking at the long-term value it has delivered over a meaningful time period.

### Shareholder engagement

Coronation's CEO and CFO, as well as other Board members, proactively engage with shareholders to garner their views and maintain strong relationships.

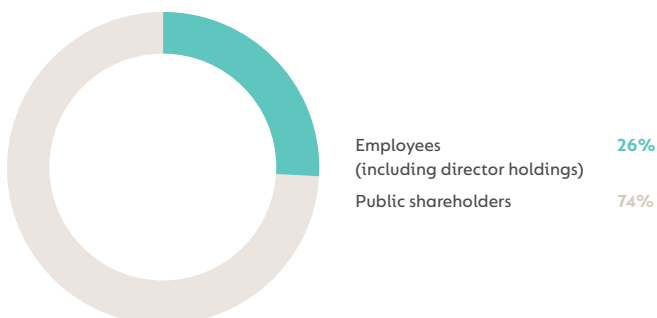
We distribute information on financial results and other Company updates through both owned and public media platforms. Great care is taken to ensure that critical updates reach shareholders simultaneously. Following the release of our interim and annual results, the CEO and CFO host conference calls with analysts and shareholders, as well as one-on-one meetings.

Coronation enjoys high levels of shareholder participation. At our 2019 AGM, shareholders and proxies representing 72% of our authorised shares in issue took part in the shareholder vote. Shareholders are encouraged to engage with management and Board members at the AGM and all directors make themselves available to attend the AGM, either in person or by telephone.

### INVESTOR TYPE



### EMPLOYEE VS PUBLIC SHAREHOLDERS



## Analysis of shareholders

DISTRIBUTION OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES '000	%
1 – 1 000 shares	11 762	52.79	5 484 639	1.57
1 001 – 10 000 shares	8 829	39.62	27 480 261	7.86
10 001 – 100 000 shares	1 357	6.09	40 096 053	11.46
100 001 – 1 000 000 shares	277	1.24	81 720 251	23.36
1 000 001 shares and over	57	0.26	195 017 898	55.75
	22 282	100.00	349 799 102	100.00

DISTRIBUTION OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES '000	%
Banks	27	0.12	5 803 928	1.66
Brokers	26	0.12	11 445 857	3.27
Close corporations	115	0.52	535 812	0.15
Endowment funds	40	0.18	853 922	0.24
Individuals	17 953	80.57	48 870 097	13.97
Insurance companies	225	1.01	10 343 876	2.96
Medical aid schemes	30	0.13	1 636 598	0.47
Mutual funds	504	2.26	98 337 598	28.11
Nominees and trusts	2 211	9.92	9 562 528	2.73
Other corporations	17	0.08	1 489 404	0.43
Pension funds	370	1.66	62 529 923	17.88
Private companies	571	2.56	6 529 568	1.87
Staff holdings	184	0.83	86 286 078	24.67
Sovereign wealth funds	9	0.04	5 573 913	1.59
	22 282	100.00	349 799 102	100.00

PUBLIC/NON-PUBLIC SHAREHOLDERS	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES '000	%
<b>Non-public shareholders</b>	185	0.83	92 613 494	26.48
Directors (direct and indirect holdings)	6	0.03	12 490 577	3.57
Shares held by staff	179	0.80	80 122 917	22.91
<b>Public shareholders</b>	22 097	99.17	257 185 608	73.52
	22 282	100.00	349 799 102	100.00

GEOGRAPHICAL OWNERSHIP	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES '000	%
South Africa	21 913	98.34	296 649 963	84.81
International	369	1.66	53 149 139	15.19
	22 282	100.00	349 799 102	100.00

SHAREHOLDERS WITH DIRECT OR INDIRECT BENEFICIAL INTEREST OF 5% OR MORE IN SHARES	NUMBER OF SHARES '000	%
Government Employees Pension Fund	40 935 082	11.70
The Imvula Trust	28 196 176	8.06
Allan Gray	26 412 196	7.55
Louis Stassen	18 094 676	5.17

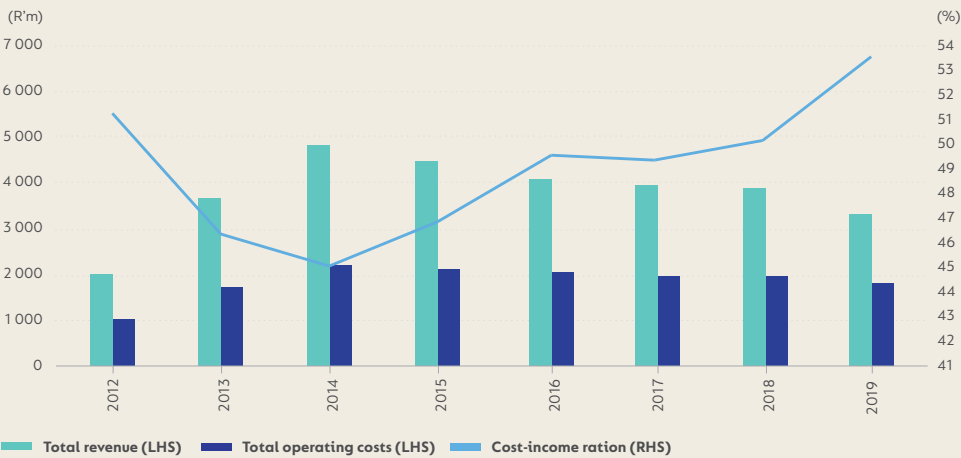
2019 outcomes for shareholders

Financial and operational performance

Coronation delivered a respectable financial performance in a tough environment. While our revenue declined by 14% to R3.3 billion, our variable cost model again protected shareholders from negative operating leverage. A large part of Coronation’s variable costs track profit and assets under management.

VARIABLE COST MODEL CONTINUES TO CONTRIBUTE TO EFFECTIVE MANAGEMENT OF TOTAL COSTS

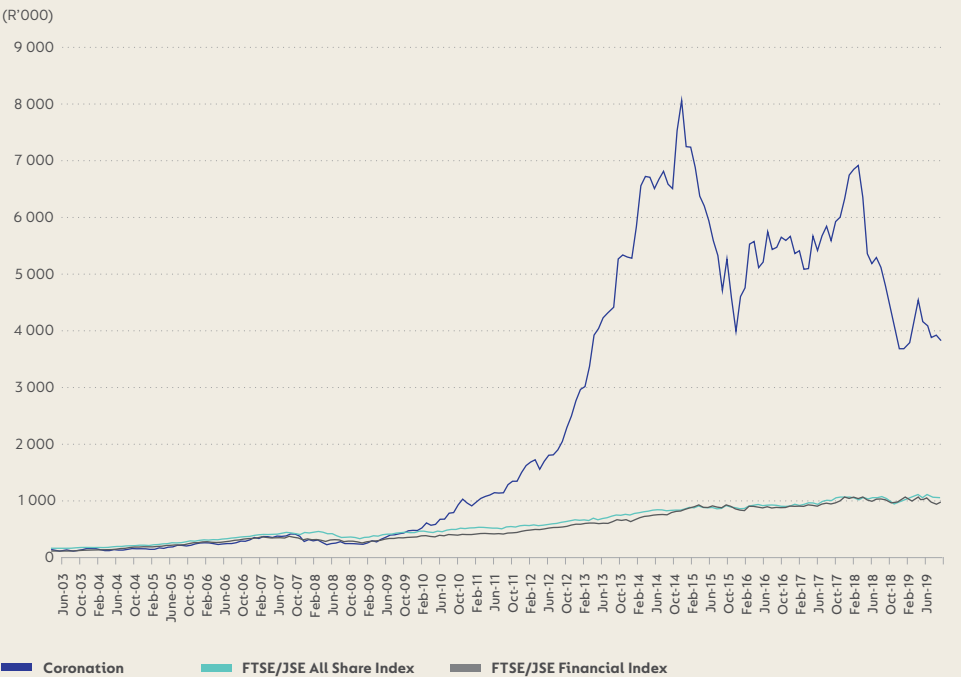
Protects shareholders in down years



Source: Coronation

SHARE PERFORMANCE VS FTSE/JSE ALL SHARE AND FTSE/JSE FINANCIAL

Growth of R100 000 invested since Coronation’s listing in 2003



Source: Coronation

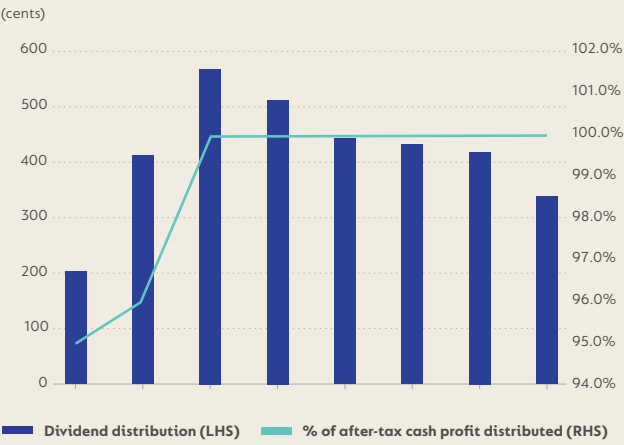
DIVIDEND POLICY MAINTAINED

We continue to reward shareholders through regular and significant distributions of free cash flow generated. We endeavour to distribute at least 75% of after-tax cash profit. Assessing projected future cash requirements, we paid out almost 100% of after-tax cash profit in the past year.

DIVIDEND DISTRIBUTIONS PER SHARE

341 cents

420 cents in 2018

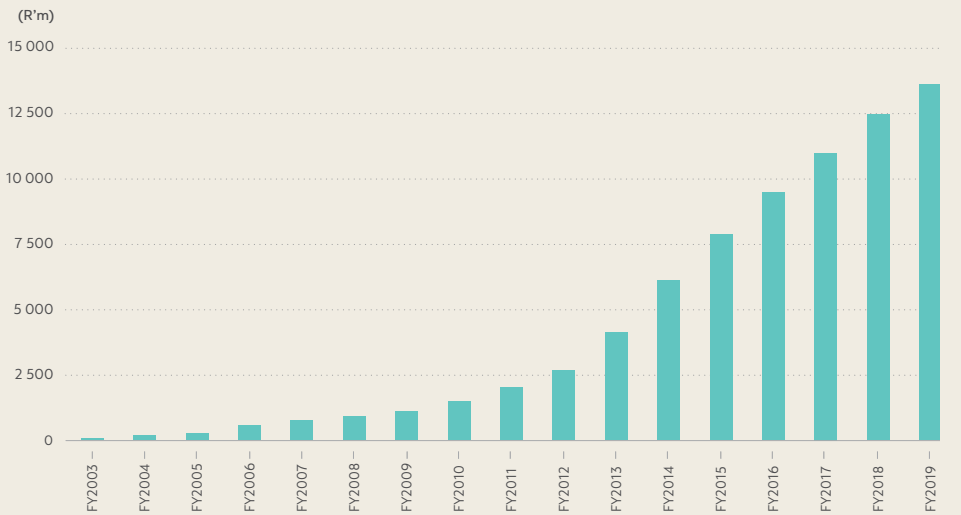


Source: Coronation

TRACK RECORD OF CASH GENERATION\*

More than R13.6 billion paid out in dividends to shareholders since listing in 2003

Dividend Generation History (since listing)\*



Source: Coronation

\* Includes return of share premium

## HOW CORONATION CREATES VALUE FOR GOVERNMENT AND REGULATORY BODIES

*In an increasingly regulated environment, Coronation continues to play an active role in industry initiatives, both in terms of shaping the environment as well as ensuring that we consistently operate to the highest standards.*

IN FINANCIAL YEAR 2019

R694m

total tax contribution

Coronation supports and, where appropriate, adheres to relevant governance frameworks that promote leading governance practices. Accordingly, the Board is guided by the principles set out in King IV™, which affirms our 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 (South Africa)
- Prudential Authority – South African Reserve Bank
- Central Bank of Ireland (Ireland)
- Financial Conduct Authority (UK)
- Securities and Exchange Commission (USA)

### Active engagement

The majority of our regulatory interaction is with the Financial Sector Conduct Authority (FSCA), and more recently the Prudential Authority, either directly or through our involvement with the Association for Savings and Investment South Africa (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. This helps us to remain abreast of international industry and regulatory developments and to adjust our practices and strategy in a timely manner.

### Advancing broad-based 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 the Company's inception over a quarter of a century ago.

### 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 R694 million.

## HOW CORONATION CREATES VALUE FOR SOUTH AFRICAN COMMUNITIES

*Coronation is dedicated to collaboratively solving the education crisis in South Africa, with a focus on primary school learners and educators.*

### SOUTH AFRICA IN NUMBERS

GRADE 4s WHO CANNOT READ FOR MEANING

80%

YOUTHS\* NOT INVOLVED IN ANY FORM OF EMPLOYMENT

34%

\* Aged between 15 and 24 years

SA UNEMPLOYMENT

29%

CHILDREN LIVING IN INCOME POVERTY

65%

CHILDREN LIVING BELOW THE FOOD POVERTY LINE

7 million

Sources:  
South African Child Gauge 2018/2019  
and STATS SA

Solving the education crisis in South Africa is a key priority for Coronation. We demonstrate our commitment through our active involvement in our corporate social investment (CSI) initiatives. This goes beyond financial support – we are active on the ground and inside classrooms where the change really happens. Our commitment to improving the lives of all South Africans is testament to the way that we drive and effect change in disadvantaged communities.

The relationships that we have with our CSI partners are at the heart of our success in rolling out our initiatives effectively. We create networks of support for our partners, enabling environments that allow them to lean on the power of their peers as their programmes unfold.

One of the networks that we support is the Western Cape Coalition for Quality Education, who galvanise non-governmental organisations, government and businesses into injecting their efforts in the right areas for maximum impact and positive outcomes. Tapping into the networks of the NGOs that we employ to ensure that we reach as many learners as possible through our interventions, is one of the ways that we engage actively in the communities that we serve.

As a proud South African business, we are committed to developing our youth into becoming authors of opportunity in their futures and not only beneficiaries of our initiatives. We believe that by focusing on literacy and numeracy at primary school level, we can aid in achieving this.

In developing or supporting any CSI initiative, we're guided by four principles:

#### 1. We are in it for the long term

We remain committed to programmes for the long run, and we focus on sustainable results. We apply one of the most important lessons we have learned from successfully managing money for 26 years – investing with a long-term view.

We believe that consistency is key to success, and our commitment to social interventions is a minimum of three years. In so doing, we aim to form enduring relationships with our CSI partners and the communities we support.

#### 2. We take a holistic approach

At the core of all our efforts is providing children with quality education, but we do not believe children can be supported in isolation. We equip their parents, teachers and principals with training and tools to ensure better learning outcomes. Over and above this, we develop bespoke educational interventions to address the diverse issues that arise in different schools and within communities.

Our personal monetary management, entrepreneurship and small business initiatives are aimed at strengthening households and communities.

#### 3. We are directly involved in all our projects

Our people are engaged with our programmes and we are actively involved in schools and communities. Senior employees have adopted schools in the Western Cape and provide ongoing mentorship to principals and teachers on a regular basis. Employees across our business are also represented on our CSI Committee and employees are encouraged to participate in all our initiatives.

#### 4. We monitor the outcomes of our programmes

Each programme has stated and quantified objectives and desired outcomes, which are reported on twice a year at Coronation's Social, Ethics and Transformation (SET) Committee. Based on the report back, we implement the required changes and programme enhancements.

IN 2019 OUR NUMERACY AND  
LITERACY PROGRAMMES  
BENEFITED

13 539

learners

363

teachers

50

schools

## Adding value to learners

We get involved at the very beginning of a child's journey towards graduating from a tertiary institution. The Early Learning Research Unit ensures that pregnant women and primary caregivers are equipped with all the tools they need to support early childhood development. Early childhood development centres and playgroups support caregivers and communities in providing optimal learning environments.

As the children advance to primary school through Counting with Coronation (managed by the Primary Science Programme) and Coronation Reading Adventure Rooms (managed by Living through Learning), it is essential that their teachers are trained to lay excellent foundations in numeracy and literacy.

Through these programmes we provide intensive maths and literacy teaching skills development to teachers, including monitoring and evaluating the progress of learners. The reading programme also ensures that classrooms are transformed into fun and stimulating environments.

Looking beyond the classroom, we aim to address poverty, hunger and stimulate economic awareness via the Coronation School Gardens Programme. Children are trained in home-based agriculture, including soil preparation, cultivation and water management, as well as how to market produce. The food grown in these gardens not only supports school feeding schemes but is sold within their communities.

## CASE STUDY

### Nokwakha's story



"I am Nokwakha Mphawa and I have been working at the Nomzamo Educare Centre in Gugulethu since 2010. There are 37 children in my classroom, with the youngest being eight months old. I have always loved children, and it is growing all the time. My training has taught me how to plan better and how to teach children in stimulating ways through storytelling and art.

"I now know the importance of play and allowing children space to be creative through painting and drawing. I have learned that children can listen, and they can understand. The training provided to me was an eye opener and it has helped me to be observant and more alert to children's needs. The training has helped me a great deal, I feel more creative and I am grateful that I learned so much about planning my lessons. To be with other teachers from other schools helps a lot. We share ideas and we learn from each other to grow what you know already. We would love to see the Early Learning Research Unit continue with the training, and I would like to see my colleagues here receive the same training. It is my dream that many other children both here in Gugulethu and in Khayelitsha where I stay, could have access to this opportunity."

– Nokwakha Mphawa from Educare Centre in Gugulethu



IN 2019 THE PRINCIPALS  
ACADEMY BENEFITED

22

*schools*

18 391

*learners*

2019 ADULT CONSUMER  
EDUCATION INITIATIVES

17 032

*adults benefited*

561

*workshops*

9

*provinces*

## Adding value to teachers

The Future Leaders Programme addresses the shortage of qualified teachers in South Africa. This is achieved by providing students studying towards a Bachelor of Education through Unisa with bursaries, practical classroom training, mentoring and specialised tuition. Incubated within the LEAP Maths and Science Schools and run as a pilot between 2007 and 2017, the programme has since been expanded to other low-fee independent and government schools. Participants are also supported in transitioning from interns to full-time employed teachers in LEAP and other schools.

In addition, we have supported over 20 school principals who attend UCT's Graduate School of Business Principals Academy. This highly acclaimed programme is an intensive programme on self-mastery and advanced thinking skills, and partners current incumbents with retired school principals for mentorship and coaching sessions. We engage with all of our principals personally during the programme, and we celebrate their success once their qualifications are awarded.

## Adding value to parents

As part of our holistic approach to solving the education crisis in South Africa, we run a series of education programmes comprising a bespoke series of training modules. It is specifically designed to empower parents with skills to assist their children with grasping concepts in literacy and numeracy. The workshops empower parents to positively influence the life and education choices of their children. These workshops offer parents several benefits:

- Parents are equipped with skills to provide general schooling guidance.
- The workshops connect them with other parents in their communities.
- Parents are encouraged to teach children about social skills, respect and discipline.
- The workshops communicate the importance of parent-school collaboration.
- Workshop facilitators answer any questions parents may have about their child's schooling.

## Bursary support programme

One of our legacy initiatives is our Bursary Programme that rewards underprivileged students with exceptional academic results with full bursaries for degrees in Business Science, Accounting, Finance, Business Economics and Economics at select South African universities. These dedicated learners are supported by tutors and matched with Coronation mentors, who guide them with practical support during their one-year employment contract that initiates once they complete their degree.

IN 2019 THE CORONATION  
SCHOOL GARDENS PROJECT  
BENEFITED

251

learners

8

schools

SINCE 2017 THE GROWING  
ENTREPRENEURS  
PROGRAMME TRAINED  
AND SUPPORTED

5 295

small-scale farmers

236

co-ops

## Adding value to entrepreneurs

The Growing Entrepreneurs Programme (in collaboration with the South African Institute for Entrepreneurship) provides training for emerging farmers across South Africa and has positively impacted rural and peri-urban communities through economic development, job creation and poverty alleviation, especially among small-scale agricultural farmers.

Over 90% of participating cooperatives have secured access to contracts with community markets, to which they now supply produce on a regular basis.

## Maximising our impact

The Capsule Programme launched in 2018 has delivered positive outcomes with improvements in learner results and parental participation. We continue to drive collaboration with our CSI partners to ensure that our learners reap the rewards of this multi-pronged approach to developing these future leaders. Through our Capsule Programme, we continue to deliver integrated, measurable and long-term interventions with the learner at the centre.

## The road ahead

Mirroring our investment philosophy, any CSI commitment we make is taken with a clear, long-term objective in mind, and with the awareness that we are embarking on a prolonged collaboration with our partners and the beneficiaries of our initiatives. These relationships are built on trust and an acknowledgement of the complexities of South Africa's challenges. We are a company of optimists and believe we can collectively steer South Africa towards a better future.

## CASE STUDY

### Nokwanda's story



"I started working in the food garden in Khayelitsha in 2006, when there were already 18 other female farmers here. They were given the land by the municipality in 1997 and were provided with basic training to start the garden. Most of us are from rural areas in the eastern Cape and we knew how to grow wheat and corn, but we were taught how to plant new crops in the city, such as kale, purple cabbage, spring onions and leeks.

We sell our vegetables to markets, hotels and restaurants around Cape Town, as well as to primary schools, supermarkets and directly to the community. The programme has helped me a lot because I work part time and the money from the gardens adds to my income. It helps us with money to send our children to school and provides me with something to carry home for supper every day. Business is good and we are very busy.

Eating the vegetables from the garden helps to keep me healthy and working in the garden environment keeps me physically strong, which is important at my age.

Working in the garden has also helped me to feel the pains of the people in the community and understand more about how we live, because there are people who are ill and don't have easy access to food, so we also donate vegetables to the needy in children's homes and HIV/AIDS support programmes.

This programme is so important, because we also train other people who have started food gardens in Khayelitsha, and we have learnt a lot about the problems in the soil and the crops. It's hard work in the garden, but we have the passion."

– Nokwanda Nkqayi, 63, woman farmer at the Siyazama Community Food Garden, in Khayelitsha, which has received support from Coronation through SAIE since 2006

## HOW CORONATION CREATES VALUE THROUGH ITS PEOPLE

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*Our aim is to build and retain exceptional teams of highly skilled individuals – ensuring the sustainability of our business.*

### Driven by performance

As an independent active asset manager, Coronation's only asset of significant value is its people. Our business depends on our people's ability to deliver long-term investment outperformance.

Coronation is a true meritocracy, where anyone (irrespective of position or title) is recognised for work well done. Our flat hierarchical structure ensures agility, fast decision-making and constant innovation. Dialogue and debate are encouraged, and we have an open-door policy where management is challenged on any aspect of the business.

As we are on 24 hours' notice with our clients, we demand an unwavering commitment to excellence from our employees. All employees are expected to be team players and are assessed on their individual performance and contribution to the team in which they operate.

Importantly, we believe in a culture of ownership; together, our employees own 25% of Coronation. This empowers our people to feel and behave like long-term owners of the business. Entrepreneurial flair remains a vital component of our cultural DNA.

We are uncompromising about ethics, and we expect our employees to always act with integrity. In everything they do, all employees are required to conduct themselves in accordance with our Code of Ethics, Client Charter and our six values (→ [refer to page 6](#)).

Every year, all our employees are required to pledge that they comply with specific ethical requirements, conflicts of interest, compliance with the requirements of Coronation's compliance manual, confidential information and the Financial Sector Conduct Authority's Treating Customers Fairly initiative.

### Our Client Charter

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We strive to always put clients first

We have an unwavering commitment to the long term

We focus on producing top performance over all meaningful periods

We are uncompromising about ethics



## 2019 key areas of focus and outcomes

### Transformation and diversity

Diversity strengthens our business. Through disciplined and determined recruitment, Coronation has achieved meaningful transformation. We have made tangible progress in transforming our business to reflect the country's diversity.

As at end September 2019:

- 49% of our South African-based employees are female
- 56% of our South African-based employees are black, of whom 57% are black females
- 53% of our South African-based employees appointed during the 2019 financial year are black
- 37% of new hires are black females
- Many of our senior leadership positions are held by black individuals, including our CEO, CFO, COO, Global Head of Institutional Business, Head of Fixed Income and Head of South African Equity Research
- 78% of our Board of Directors are black, and 56% are female
- We are a Level 2 contributor to broad-based black economic empowerment as per the revised Financial Sector Code

We are excited about the calibre of prospective employees who are currently benefiting from extensive internship and bursary programmes (→ *refer to page 50*). These employees will strengthen our diversity profile for many years to come.

We are determined to achieve greater black representation among senior management. The Employment Equity Act, No. 55 of 1998, stipulates the inclusion of permanent employees (those individuals on fixed-term contracts of more than three months) and the inclusion of temporary employees (less than three months), as per the table below.

In addition to our total complement of 326 South African-based employees, 21 individuals are on fixed-term contracts of more than three months, and are included in the table below.

The table below does not include Coronation Global Fund Managers (Ireland) Ltd or Coronation International Ltd employees.

Occupational levels	Male				Female				Foreign nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	0	1	1	3	0	0	1	0	0	0	6
Senior management	0	1	1	5	1	1	1	0	0	0	10
Professionally qualified and experienced specialists and mid-management	11	23	4	68	5	22	9	38	7	4	191
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	6	23	11	4	17	48	5	16	1	0	131
Semi-skilled and discretionary decision-making	1	2	0	0	1	4	0	0	0	0	8
Unskilled and defined decision-making	0	0	0	0	0	0	1	0	0	0	1
<b>TOTAL PERMANENT</b>	<b>18</b>	<b>50</b>	<b>17</b>	<b>80</b>	<b>24</b>	<b>75</b>	<b>17</b>	<b>54</b>	<b>8</b>	<b>4</b>	<b>347</b>
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL SOUTH AFRICAN STAFF</b>	<b>18</b>	<b>50</b>	<b>17</b>	<b>80</b>	<b>24</b>	<b>75</b>	<b>17</b>	<b>54</b>	<b>8</b>	<b>4</b>	<b>347</b>

A = African C = Coloured I = Indian W = White

As at 30 September 2019

Figures exclude Dublin and London offices

## Retaining highly skilled employees

Long-term retention of world-class talent is critical to the success of our business. Our investment team remains one of the most experienced and stable in the industry. The average tenure in the investment team is 10 years.

Across the business, employee turnover remained stable. At 7%, it remains well below industry standards. The average tenure of departing employees was 7.4 years in 2019.

### EMPLOYEE TURNOVER



In the past year, we have maintained a number of initiatives to retain and motivate employees.

Our Remuneration Policy is key to retaining highly skilled employees and aligning their performance with that of all our stakeholders. ([→ Refer to the Remuneration Policy on page 55](#)).

We introduced an onboarding system which offers a digital platform to integrate new starters. The platform was introduced in July this year with the objective of building real engagement before a new starter joins, and to ensure continued support throughout their onboarding journey so that they are confident to add value right away. We have received positive feedback from both managers and new starters thus far.

New employees are welcomed through the Ignite Group Coaching Programme. Introduced in 2011, the Ignite Programme is led by an external qualified coach. Employees take part in biweekly two-hour sessions over the course of three months. The programme is aimed at helping new employees deal with the potential challenges of landing and operating in a high-performance-driven culture. We believe it has been highly successful in bolstering individual career development and supporting retention. As at the end of our 2019 financial year, we have had 60 Ignite groups since inception, with a total of 315 employees who have participated in the coaching groups.

Future talent is earmarked for succession planning, and the appropriate retention mechanisms are put in place to ensure a long-term sustainable business. We offer individual coaching to employees taking on leadership roles or facing new challenges to ensure tailor-made support and development.

All managers are offered interview skills training, as part of a programme called Hiring Right! This high-intensity programme uses real Coronation case studies and focuses on identifying and selecting top talent. More advanced training has also been offered and we had 10 employees attend interviewing skills workshops in the 2019 financial year.

We regularly review employee notice periods to ensure minimal disruption in the event of resignation and to maintain alignment with dynamics in the market.

## Skills development

We strive to create an environment that encourages our employees to challenge themselves and grow. Continuous learning is a key component of our culture. The business supports appropriate training initiatives by providing financial assistance towards employees' tuition fees for part-time study. We continue to direct a large portion of the Company's training spend to black employees.

In 2019, R7.1 million was allocated to the skills development of black employees (2018: R11.4 million).

The Chartered Financial Analyst (CFA) professional credential is highly coveted in our industry. A significant portion of our total training spend consists of CFA fees and workplace training, as well as international conferences to ensure our employees remain world-class. Other areas of training include university qualifications, short courses (including regulatory and product training), as well as softer skills training in the form of individual and group coaching, and mentorship.

## Bursaries

Coronation has a substantial Bursary Programme ([→ refer to page 22](#)). This programme identifies previously disadvantaged learners with academic potential who want to study commerce at any recognised university in South Africa. During their studies, students are offered mentorship from within the business and vacation work as preparation for the working world. The intention is that, once the bursary students graduate, they would be employed by Coronation.

Since 1993, more than 115 students have been given the chance to achieve their dream of a better future through the Coronation Bursary Programme.

For the 2019 financial year, we sponsored 16 students from across the country, nine of whom are black women.

In acknowledgement of the vital role played by education in releasing individuals from a life of poverty, we extended our reach 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.

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

## Mentors

Mentorship is important in the skills development and advancement of all employees. The Coronation Mentorship Programme enables experienced employees to mentor new employees, and provide guidance on Company culture and work processes, as well as industry insight. We currently have 14 active mentors within the business, some of whom focus specifically on mentoring our bursary students.

Employees are encouraged to diversify their skills by exploring new roles and responsibilities within the business. All opportunities at Coronation are posted on both internal and external careers sites to facilitate career progression.

Employees are responsible for ensuring that they are equipped with the necessary training to successfully fulfil their function. This may take the shape of formal or on-the-job training. In the case of the latter, employees are required to record a monthly report, including detailed content by both the trainer and trainee. To assist in identifying individual development opportunities, we embark on a consultative process between talent management, line management and employees to analyse training trends of prior years and define skills imperatives for the coming year.

## Internships

To assist in growing and deepening the investment industry's pool of talent, we created a number of internship programmes within our Company and 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 Coronation workplace experience internship programme for unemployed graduates in 2012. In 2019, three new graduates joined this programme. Over the past six years, a total of 58 graduates have benefited from our programme and, as



at the end of the 2019 financial year, of the 58 interns hired into the business, 84% are black and 55% are black females. We have permanently employed 24 of the 58 interns within our business, of whom 21 are black.

To further transform the industry through the development of much-needed skills, we launched our External Intern Programme during 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.

We also continue to support the partnership between the ASISA Academy and TSIBA Education, which sees students completing the Investment Administration and Client Servicing (IMACS) Programme.

Coronation sponsors these IMACS students to complete a six-month internship within our business as part of their programme.

These programmes are aimed at developing specific skills currently found to be in short supply in the marketplace. In addition, our Bursary Programme also plays an integral role in achieving transformation through skills development ([→ refer to page 43 for more details](#)).

### **Future focus**

Our focus is to continue to foster a culture that attracts, retains and motivates highly-skilled employees to continue to deliver investment excellence.



# Remuneration

One consistent Remuneration Policy applies to all employees across our business, with total variable remuneration allocation for the year based on a set formula and allocated to all eligible employees.

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## REMUNERATION COMMITTEE CHAIRMAN'S STATEMENT

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On behalf of Coronation's Board of Directors and its Remuneration Committee, we are pleased to submit the Remuneration Report for 2019.

### Background

Any successful remuneration process should support the Company's core values. In the case of Coronation, the process should reinforce its long-term ethos, its commitment to put clients first, its ownership culture and the high-performance environment it strives to achieve.

### 2019 remuneration outcomes

Notwithstanding a year of anaemic market returns and declining earnings, the business had some important successes. Recent investment performance has been very good, with many of our portfolios strongly outperforming their benchmarks. In addition to this, the process of transitioning to a new administration platform and service provider was completed with no disruption to clients.

The variable remuneration mechanism shields shareholders in periods of declining profits and is a rarity in the financial services industry, where remuneration tends to be sticky in down periods. In a year of declining profits, the remuneration process strongly demonstrated its inbuilt alignment of employee and shareholder interests. Company earnings were down by 19% and variable remuneration consequently declined by 19%, notwithstanding the fact that our total global employee complement increased from 331 to 337 people.

At the 2019 annual general meeting (AGM), 79.52% of Coronation's shareholders voted in favour of both the Remuneration Policy and the Implementation Report. While the outcome was favourable, members of the management team attended numerous stakeholder engagement meetings during the year to ensure that our policies are consistent with stakeholder expectations.

During the period under review, the Remuneration Committee employed external advisers to analyse

and make recommendations on the Company's remuneration practices. The Remuneration Committee is satisfied that these consultants were both independent and objective.

As in the past, no share options were issued to employees in the period, underlining our commitment to save shareholders the cost of what we believe to be a form of remuneration that is asymmetrical and often significantly more expensive than the estimates provided by typical quantitative modelling.

### Policy enhancements

Coronation's Remuneration Policy has remained largely unchanged. Coronation continues to be supportive of the need for increased alignment of employees and shareholders, and the growing emphasis on accountability. As indicated last year, we have implemented malus and clawback provisions to employee remuneration for 2019. While international remuneration best practice typically limits the application of malus and clawback to senior managers and risk takers, the Remuneration Committee has opted to apply malus conditions to all employees, while clawback is applicable to certain categories of senior managers from 2019.

Clawback provisions will apply to all cash and deferred remuneration allocations and will be imposed for up to three years from the date of payment or from the date of the vesting of tranches of deferred remuneration.

Malus and clawback provisions will be applied if an employee has been found guilty of a broad range of transgressions. These include: fraud, misrepresentation, insufficient/incorrect disclosure of matters known to the employee, any serious breach of any law applicable in the scope of and during the course of their employment, or failure to disclose any act to the Company that could result in the Company being found guilty of breaching any regulatory provision.

## Future areas of focus

While clawback has been applied to senior managers in the current year, this will be applied to all employees who benefit from the CFM Deferred Remuneration Trust from 2020. Prior to the 2020 implementation, members of the management team have undertaken to workshop the rollout of these provisions to all affected employees.

The Remuneration Committee continues to review its remuneration disclosures to ensure that the information relayed to stakeholders is both transparent and meaningful.

## Remuneration review

The Remuneration Committee oversees the application of the Remuneration Policy, ensures that the remuneration process is fair and responsible, and that it supports the performance-based culture of the Company.

Coronation is an independent asset manager and depends on its people to deliver the investment performance and world-class service that its stakeholders expect of it. In a weak economic environment, with a trend of increased emigration, the need to attract and retain the intellectual capital required to deliver on our client promise is acutely felt.

In this context, our Remuneration Policy succeeded in retaining and motivating the highly skilled individuals who are increasingly in demand across the world. Employee turnover across the Company was only 7%, well below the industry standard. In the case of employees who receive deferred remuneration, the turnover was 5%. In addition, Coronation succeeded in making a number of valuable appointments, particularly of black professionals.

In order to support our long-term ethos, the vesting periods for deferred remuneration were extended from three years in the previous year to four years in the current year. Vesting periods currently extend as far as 2024. A significant number of key employees have restraints of trade and extended notice periods in addition to these deferrals. These were entirely funded by the variable remuneration pool.

In 2019, 51% of the variable remuneration pool was allocated to the long term:

Year	% of variable remuneration allocated to the long term*
2019	51
2018	57
2017	48
2016	57
2015	55

\* Deferred remuneration, restraints of trade and notice period extensions

In 2019, 27% of employees had restraints of trade, ranging in duration from three to 12 months, while 81% of employees had abnormal notice periods, ranging from two to 12 months.

As per our Remuneration Policy, variable remuneration is allocated to eligible employees of the Company. In 2019, 99.7% of eligible employees received cash variable remuneration, and 43% benefited from deferred variable remuneration as depicted below:

Year	% of eligible Coronation employees who received deferred variable remuneration*
2019	43
2018	44
2017	46
2016	41
2015	42

Percentages pertain to total employee complement

\* Coronation shares and Coronation unit trusts only

We provide details of executive performance and remuneration on → [pages 60 to 65](#).

## Conclusion

The Remuneration Committee has ensured that remuneration supports the Company's values and that it is determined fairly in accordance with performance appraisal outcomes and Company performance. As in the past, we will continue to measure global remuneration trends to ensure our Remuneration Policy retains its best-practice status and continues to deliver long-term value creation for our stakeholders.

Sincerely

**Hugo Nelson**

Chairman

Remuneration Committee

# REMUNERATION POLICY

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## Introduction

Our remuneration framework is designed to create long-term value for all stakeholders – shareholders, clients, our employees and our community, in a manner that is fair and responsible.

The Remuneration Policy plays a critical role in supporting the overall business strategy of encouraging a high-performance, competitive business with a structure that attracts, retains, motivates and rewards high-performance employees.

This section contains a summary of the Remuneration Policy, the full contents of which is available at [www.coronation.com](http://www.coronation.com).

## Remuneration philosophy

The objectives of the policy remain the following:

The remuneration process must motivate employees to achieve the long-term corporate strategy through supporting the Coronation values, specifically by:

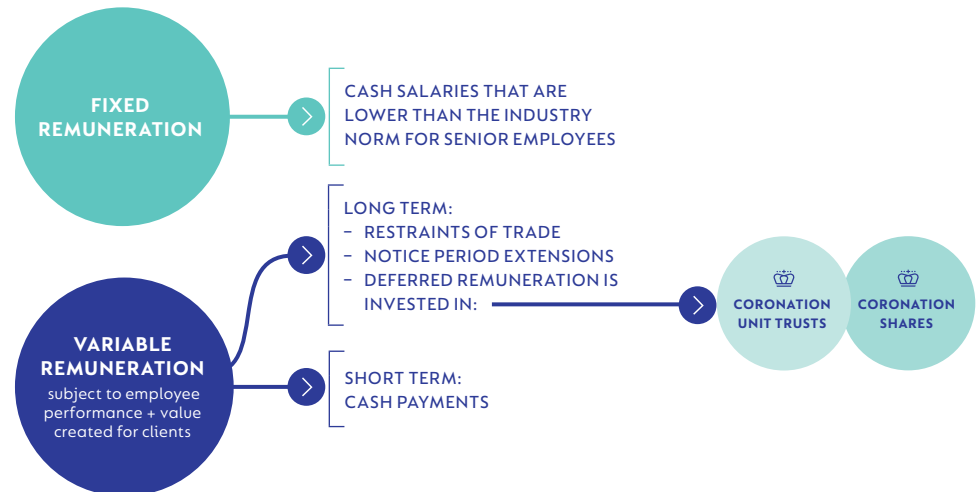
- focusing on long-term value creation;
- always putting clients first;
- creating a culture of ownership;
- recognising that Coronation is a team-based organisation;

- helping to attract, retain and motivate highly talented and sought-after individuals;
- rewarding employees for outstanding and excellent performance. This is essential if the Company's remuneration process is to successfully support its strong performance culture;
- ensuring that the remuneration structures and implementation are simple and easy to understand, and result in as few unintended consequences as possible;
- ensuring that the remuneration process is holistic enough to be able to assess the performance;
- ensuring that the rewards for excellent performance align employees' interests with that of the broader Company and its clients;
- ensuring that an effective balance is achieved between cash and deferred remuneration in order to ensure alignment with stakeholder interests, business sustainability and the Company's long-term ethos; and
- ensuring that good corporate governance in relation to remuneration is applied and that the approach to remuneration is consistent with, and promotes, sound and effective risk management.

## Remuneration principles and structure

Variable remuneration has been the cornerstone of Coronation's success since inception 26 years ago. It underpins our values, instils a culture of ownership and promotes a performance culture that directly aligns employee and stakeholder interests.

Coronation has a very simple framework to achieve these objectives. It endeavours to avoid complicated structures that can result in unintended consequences. It applies the principles and practices to all employees, including executives, although the structure and value of individual packages vary by role, seniority and contribution. Total employee remuneration for all employees consists of fixed and variable (performance-based) remuneration as depicted in the diagram below.





## FIXED REMUNERATION

Elements	Outcomes
<ul style="list-style-type: none"> <li>Fixed remuneration is determined on a total cost-to-company basis, consisting of a base salary and compulsory benefits*</li> </ul>	<ul style="list-style-type: none"> <li>This is based on roles and responsibilities. Senior employees receive fixed remuneration that is set well below market levels. This is capped to encourage a performance-driven culture. In the case of our most senior employees, the differential is material.</li> </ul>

\* Compulsory benefits include retirement provision (including disability plans, death and funeral cover) and medical insurance

## VARIABLE REMUNERATION

Elements	Outcomes
<ul style="list-style-type: none"> <li>Variable remuneration is allocated to all employees according to their contribution</li> </ul>	<ul style="list-style-type: none"> <li>This is directly dependent on Company earnings and is paid from an allocation of 30% of audited pre-tax net profit. This is a contractual obligation in terms of our memorandum of incorporation and in employment contracts. It was communicated to shareholders in our prospectus on listing in 2003.</li> </ul>
<ul style="list-style-type: none"> <li>Variable remuneration: short-term cash payments</li> </ul>	
<ul style="list-style-type: none"> <li>Deferred remuneration</li> </ul>	<ul style="list-style-type: none"> <li>Allocated to eligible employees. Invested in either Coronation unit trusts or in listed Coronation shares, which are purchased on the market.</li> <li>This ensures alignment of employee interests with the interests of shareholders and clients.</li> <li>These are forfeited if employees resign or sell Coronation shares.</li> </ul>

## OTHER

<ul style="list-style-type: none"> <li>Restraints of trade and notice period extensions</li> </ul>	<ul style="list-style-type: none"> <li>In certain instances, the Remuneration Committee will secure notice period extensions or restraint of trade payments.</li> </ul>
<ul style="list-style-type: none"> <li>Malus and clawback</li> </ul>	<ul style="list-style-type: none"> <li>Malus applies to all employees in respect of their cash and deferred remuneration.</li> <li>Clawback applies to vested deferred remuneration and cash payments and only applies to certain categories of managers.</li> </ul>
<ul style="list-style-type: none"> <li>Termination payments</li> </ul>	<ul style="list-style-type: none"> <li>Coronation does not make termination payments unless obliged to do so under labour law or if a labour dispute has been settled.</li> </ul>
<ul style="list-style-type: none"> <li>Once-off allocations</li> </ul>	<ul style="list-style-type: none"> <li>In exceptional circumstances, once-off allocations will be made to relocation costs or to make good on any loss of benefit or obligation that arises from the particular employee's resignation from their previous employer.</li> </ul>

## Remuneration governance

The Coronation Board of Directors has the ultimate responsibility for the governance of the remuneration framework. It ensures that the process that governs the assessment of employees' performance is robust and fair.

The Remuneration Committee is responsible for key decisions regarding remuneration, including the implications for overall risk management. It has full oversight and control of the Remuneration Policy and practices.

Remuneration allocations are calculated using a combination of quantitative and qualitative criteria. The process aims to be as holistic as possible and to balance the performance of the individual with both that of the team in which the employee operates and that of the broader organisation. Management's final recommended allocations in respect of the variable components are submitted to the Committee for consideration and approvals.

Following the Remuneration Committee's approval of deferred remuneration allocations, the underlying investments are recommended to the CFM Deferred Remuneration Trust. The trustees of the CFM Deferred Remuneration Trust are independent of the Company's executives. Their primary responsibility is to ensure that, once allocations have been made, the rules that govern vesting criteria are strictly and fairly applied to all beneficiaries.

## Conclusion

The Remuneration Policy and the Implementation Report are tabled at Coronation's AGM for a separate non-binding advisory vote by Coronation shareholders. The Board regularly reviews the remuneration framework to ensure that it supports achieving our strategic objectives and promotes positive long-term outcomes for all stakeholders. As part of this process, Coronation actively seeks out the views of its shareholders where appropriate in relation to its remuneration practices.



# Remuneration policy implementation report

## Introduction

The Remuneration Committee is responsible for implementing the Remuneration Policy. It is constituted to enable it to exercise competent and independent judgement on remuneration policies and practices. The Remuneration Committee ensures that the remuneration process is fair and responsible, and accounts for all employees.

As outlined below, the Remuneration Committee found that the Policy achieved its objectives in the current year, and it was implemented without any deviations.

## Fixed allocation

The fixed component of total remuneration increased by 12% to R346 million. This was due to inflationary adjustments and new employee appointments, most of which were driven by changes to our fund administration outsourcing arrangements. As at 30 September 2019, the total global employee complement increased from 331 to 337, and there were 22 vacancies versus 27 in 2018.

## Variable allocation

Based on the contractual 30% allocation from audited pre-tax net profit of the Coronation Group, the amount available for cash allocations and deferred remuneration declined by 19% in 2019. For the period under review, 51% of the variable remuneration allocation was deferred and was invested in Coronation unit trusts (58%) and Coronation shares (42%).

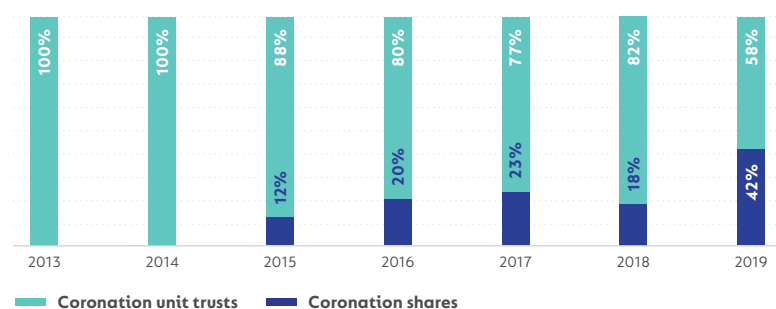
## Executive directors' key performance measures – 2019

The Remuneration Committee determines the awards to the executive directors based on individual performance, which is measured quantitatively and qualitatively.

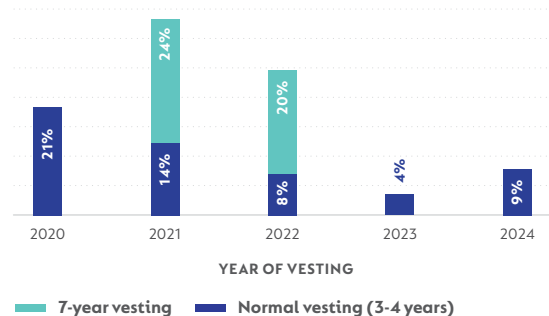
Please note that, in some instances, the Remuneration Committee considers the disclosure of certain details on the performance measures to be commercially sensitive.

The following tables provide details of the key performance indicators (KPIs) that the Remuneration Committee has considered. It should be noted that the weightings have been assigned to each KPI only to give the reader a sense of the relative importance of each measure in the current financial year. They have not been used to perform a formulaic, overall score for the executive concerned.

### INVESTMENTS HELD BY THE CFM DEFERRED REMUNERATION TRUST AS AT 30 SEPTEMBER 2019



### VESTING PROFILE OF DEFERRED VARIABLE REMUNERATION AS AT 30 SEPTEMBER 2019



## CEO PERFORMANCE REVIEW

### Mr Anton Pillay

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

Chief Executive Officer

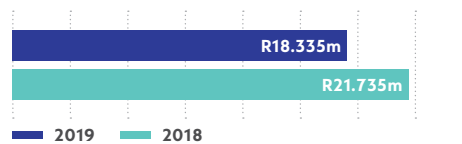
KPI	Weighting	Responsibility	Action
<b>Strategic/Values</b>	<b>35%</b>		
<b>Culture and values</b>		<i>The CEO is accountable for building the meritocratic and entrepreneurial culture of Coronation. It is the CEO's responsibility to ensure that the core values of putting clients first, uncompromising ethics and teamwork remain entrenched in a growing business.</i>	<ul style="list-style-type: none"> <li>Employees were engaged both informally and more formally through regular business updates and information sessions.</li> <li>An intensive series of "stay interviews" were conducted across the business to understand staff issues and trends. This provided insightful information on the employees' view of Company culture.</li> </ul>
<b>Talent management</b>		<i>The CEO is responsible for creating a high-performance working environment that attracts, retains and develops world-class skills. In this respect, industry-leading staff turnover ratios (in both the investment and operating teams) provide a key deliverable. The CEO must also ensure that there are appropriate succession plans in place with respect to key roles in Coronation.</i>	<ul style="list-style-type: none"> <li>Employee turnover remained below the industry average at 7%.</li> <li>Significant effort was put into increasing and improving the opportunity that employees have to participate in various training courses.</li> <li>The Aspiring Leaders Programme was introduced in 2018 for high-potential individuals whose influence will positively impact the business. The programme was continued in 2019 and participants continue to add value in the business.</li> <li>Succession plans were actively advanced and formally reviewed at the Remuneration and Nominations Committee meetings.</li> </ul>
<b>Brand and reputation</b>		<i>Coronation is in the process of building its brand in the consumer space. The CEO will be accountable for building the Coronation brand and ensuring it becomes a household name in the savings industry. Key performance metrics include brand awareness and recognition surveys.</i>	<ul style="list-style-type: none"> <li>New innovations have been used to build brand awareness and improve brand recall.</li> <li>Formal programmes monitoring brand awareness yielded encouraging results.</li> </ul>
<b>Rollout of global product range</b>		<i>Continuation of the rolling out of international products, in an attempt to replicate its success in SA in international markets. This is the single biggest strategic initiative of the last decade. The CEO is accountable for building the franchise value of our key global products: Africa frontiers, global frontiers, emerging market equities, global multi-asset class and global equity funds. Key deliverables include building out the investment teams, building relationships with the asset allocators and clients, and establishing compelling performance track records across the fund range.</i>	<ul style="list-style-type: none"> <li>Since 2015 the International AUM allocation has increased from 23% to 29% of total AUM.</li> <li>In 2019 the product range was widened with the launch of several key products.</li> </ul>
<b>Platform efficiency and technology</b>		<i>Coronation moved its asset administration to JP Morgan and the transfer agency to Intembeko in 2018. Focus in 2019 was on extracting efficiencies and synergies from the transition. The CEO is accountable for the successful implementation without disruption to clients.</i>	<ul style="list-style-type: none"> <li>The transition was completed successfully with no disruption to clients.</li> <li>The operational teams were restructured in 2019 to extract efficiencies from the new process.</li> <li>An Operational Risk and Control Function was created in 2019. It is tasked with improving controls and identifying inefficiencies within current processes.</li> </ul>

KPI	Weighting	Responsibility	Action
<b>Operational</b>	<b>30%</b>		
<b>Cost control</b>		<i>The CEO is accountable for the implementation of sound Company financial management and controls, including ensuring that costs are judiciously managed and, where appropriate, reduced. This is a key challenge given the cost burden of increasing regulation and compliance, as well as from the continued rollout of the global business. Key performance indicators include the benchmarking of cost-to-income and cost-to-AUM ratios against leading local and international competitors.</i>	<ul style="list-style-type: none"> <li>➤ Costs were well controlled given the current economic environment, without negatively impacting on the sustainability of the business.</li> <li>➤ Fixed costs increased by a very commendable 2%.</li> <li>➤ Variable costs decreased, resulting in total costs decreasing in the current year.</li> <li>➤ The success in sustaining a strong cost culture is evident in a total cost increase of only 3.7% p.a. over the past five years.</li> </ul>
<b>Investment performance</b>		<i>The CEO is accountable for ensuring that all Coronation funds deliver compelling investment performance over meaningful periods (five years+).</i>	<ul style="list-style-type: none"> <li>➤ Our funds had a strong recovery in 2019 performance relative to benchmarks across most of our portfolios.</li> <li>➤ Our long-term performance continues to be exemplary.</li> </ul>
<b>Governance</b>	<b>20%</b>		
<b>Governance and risk management</b>		<i>The CEO is responsible for building an appropriate risk and compliance culture and processes across the Company in order to protect client assets and minimise the risk of reputational damage and of financial losses.</i>	<ul style="list-style-type: none"> <li>➤ Successful reviews were conducted by various regulatory authorities in the period with no significant negative findings.</li> <li>➤ Investment was made in new systems to ensure compliance with the new FIC reporting requirements.</li> </ul>
<b>Transformation</b>		<i>The CEO is accountable for driving industry-leading and credible transformation through the business. In addition to partnering with others on industry-wide projects, the CEO is responsible for driving the following initiatives:</i> <ul style="list-style-type: none"> <li>➤ <i>sustain and improve black representation in key leadership roles and investment team</i></li> <li>➤ <i>increase procurement spend with black owned businesses</i></li> <li>➤ <i>improve gender diversity broadly in the business and key leadership</i></li> </ul>	<ul style="list-style-type: none"> <li>➤ In 2018, our rating increased to Level 2 B-BBEE contributor, and progress continues to be made to maintain and improve the level.</li> <li>➤ 53% of new hires were black; 56% of all employees are black.</li> <li>➤ The Company's Board of Directors is 56% female and 78% black.</li> <li>➤ Coronation has established Lean In circles to support female employees and provide a collaborative space for all employees to share their experiences.</li> </ul>
<b>Clients/ stakeholders</b>	<b>15%</b>		
<b>Clients</b>		<i>The CEO is responsible for ensuring that relationships with key clients are maintained and strengthened.</i>	<ul style="list-style-type: none"> <li>➤ The business put in a very purposeful and intensive effort to engage with clients in order to build relationships in a very challenging environment for the savings industry.</li> </ul>
<b>Stakeholder relations</b>		<i>The CEO has to ensure that transparent communications and sound relationships are maintained with key stakeholders.</i>	<ul style="list-style-type: none"> <li>➤ Coronation is part of the CEO Initiative and is a member of Business Leadership South Africa.</li> <li>➤ The CEO regularly engaged with regulators, clients and other stakeholders on key issues within the asset management industry.</li> <li>➤ Our first Stewardship Report was released in 2019, which outlines our approach to responsible investing and how we engage investee companies to unlock value for our clients.</li> <li>➤ Regular ad hoc interaction with investors and analysts.</li> </ul>

## 2019 CEO performance assessment

Assessing the CEO's performance against KPIs and qualitative measures, the Remuneration Committee decided on an allotment from the variable remuneration allocation. As the executives' award opportunity is determined by and directly aligned with the profitability of the Company, we believe minimum, on-target and maximum performance outcomes are not applicable. In the current year, the CEO's remuneration declined by 16% from the previous reporting period, reflecting the decline in Company profits. This demonstrates a strong alignment between the CEO's remuneration and the experience of the Company's shareholders.

### SINGLE-FIGURE REMUNERATION



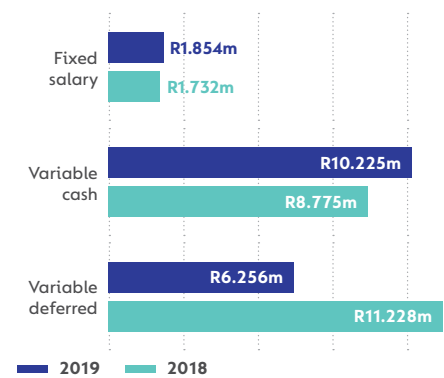
The CEO's total remuneration was determined after taking into account the outcome of his performance against 2019 KPIs as detailed above, the key outcomes being:

- a significant improvement in short-term investment performance (relative to mandate benchmarks);
- below-industry turnover among senior employees and stable employee turnover across the business;
- a restructuring of the operational teams to extract further efficiencies from the transfer to JP Morgan, as well as the establishment of an Operational Risk and Control function;

- outstanding cost control, which continued its track record of delivering market-leading cost metrics;
- continued compliance with regulatory requirements across all jurisdictions;
- maintained strong communication and relationships with key clients and stakeholders;
- maintained Coronation's strong brand and reputation by monitoring of key marketing information and exceeding ad impression targets; and
- the extension of Coronation's global franchise in a tough environment.

The Remuneration Committee allocated the CEO a long-term allocation, which is invested in Coronation shares and unit trusts with vesting periods of between one and five years.

### REMUNERATION OUTCOME



The CEO's shareholding in Coronation's issued share capital is 1.34%. The CEO has not sold any of his shares, ensuring alignment with shareholders and Company values. The CEO has a permanent employment contract, with a notice period of 12 months and a 12-month paid restraint of trade.

## CFO PERFORMANCE REVIEW

**Ms Mary-Anne Musekiwa**

BCom, HDip Tax, CA(SA)

Chief Financial Officer (appointed 12 June 2019)

KPI	Weighting	Responsibility	Action
<b>Strategic/values</b>	<b>25%</b>		
<b>Financial operating model</b>		<i>The CFO is responsible for ensuring the implementation of an effective financial operating model and controls of the Company, including sound balance sheet management and maintaining required statutory levels of capital and liquidity. The number of reportable items raised by external auditors being the key metric.</i>	<ul style="list-style-type: none"> <li>➤ Balance sheet, capital and liquidity management is monitored on an ongoing basis to ensure sound balance sheet management and regulatory compliance.</li> <li>➤ Financial control environment monitored on an ongoing basis as a part of our comprehensive Risk Management Framework.</li> </ul>
<b>Talent management</b>		<i>The CFO is responsible for ensuring the finance department employs the appropriate world-class skills to deliver on its responsibilities and roles (finance, company secretarial and transformation).</i>	<ul style="list-style-type: none"> <li>➤ Training and upskilling of key team members.</li> <li>➤ Implementation of the restructuring of team roles to mitigate key-person risk.</li> </ul>
<b>Operational</b>	<b>35%</b>		
<b>Cost control</b>		<i>A focus on controllable costs is entrenched in the culture of Coronation. The CFO is responsible for ensuring the required cost controls are implemented and adhered to across the Company. The CFO is also responsible for the preparation of and reporting on budgets and holding the departmental heads accountable to projected budgets. The business must continue to benchmark favourably on cost-to-income and cost-to-AUM ratios against leading local and international competitors.</i>	<ul style="list-style-type: none"> <li>➤ Cost management messaging was communicated across the business, and new cost-saving initiatives were implemented.</li> <li>➤ Fixed costs increased by a very commendable 2%.</li> <li>➤ The budget process for financial year 2020 was undertaken with a focus on further containing fixed costs.</li> </ul>
<b>Financial reporting</b>		<i>The CFO is responsible for maintaining a high level of internal and external reporting (including relevant statutory and regulatory reporting) as measured by the relevance, accuracy and timeliness of the reporting.</i>	<ul style="list-style-type: none"> <li>➤ Internal and external financial reporting is accurate and timely.</li> <li>➤ The unqualified Audit Report and Integrated Annual Report are delivered on time.</li> </ul>
<b>Tax</b>		<i>The CFO is responsible for the management of Company tax affairs, including appropriate implementation of tax regulation and interaction with the respective regulatory bodies.</i>	<ul style="list-style-type: none"> <li>➤ Tax affairs are managed closely, with appropriate engagement with key stakeholders, including regulatory bodies.</li> <li>➤ The current tax dispute with SARS is proactively managed and is thus far expected to be successfully resolved in line with our legal opinions.</li> </ul>



KPI	Weighting	Responsibility	Action
<b>Governance</b>	<b>25%</b>		
<b>Governance and risk management</b>		<i>The CFO should ensure that an environment of appropriate corporate governance and effective risk management prevails across Coronation and is specifically responsible for oversight of and assisting the Coronation Company secretarial function.</i>	<ul style="list-style-type: none"> <li>➤ Strong stakeholder relationship with the Risk and Compliance function established.</li> <li>➤ No material governance breaches were noted.</li> <li>➤ Close ongoing monitoring of governance and risk reporting.</li> </ul>
<b>Transformation</b>		<i>The CFO is responsible for monitoring and reporting on transformation initiatives and goals from an internal and external perspective.</i>	<ul style="list-style-type: none"> <li>➤ The Company's B-BBEE rating was actively monitored and the Level 2 contributor status attained in 2018 is expected to be maintained as a minimum.</li> </ul>
<b>Clients/stakeholders</b>	<b>15%</b>		
<b>Stakeholder relations</b>		<i>The CFO needs to ensure excellent and relevant communication is maintained with shareholders, analysts, regulators and Board of Directors.</i>	<ul style="list-style-type: none"> <li>➤ The CFO has developed strong relationships with various key stakeholders.</li> <li>➤ Ensured that the relevant investor and stakeholder communication collateral is developed and distributed timeously.</li> </ul>

## 2019 CFO performance assessment

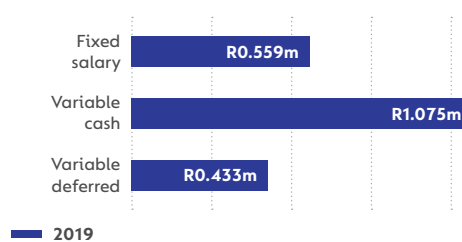
The CFO was appointed in June 2019 and had fulfilled this role for four months of the reporting period. Given this relatively short period, her performance was measured based on the relevant statutory and governance obligations that apply to the role, as well as the establishment and development of internal and external stakeholder relations. Assessing the CFO's performance against KPIs and qualitative measures, the Remuneration Committee decided on an allotment from the variable remuneration allocation. The award opportunity is directly aligned with the profitability of the Company.

### SINGLE-FIGURE REMUNERATION



The CFO's total remuneration was determined after taking into account the outcome of her performance against 2019 KPIs as detailed above, the key outcomes being: development of strong relationships with various key stakeholders; unqualified audits across the Company during the financial year; Coronation's cost-to-income and cost-to-AUM ratios outperforming leading local and international competitors; all subsidiaries maintaining required levels of regulatory capital and liquidity; compliance with regulatory requirements across all jurisdictions; and maintenance and improvements of B-BBEE scorecard.

### REMUNERATION OUTCOME



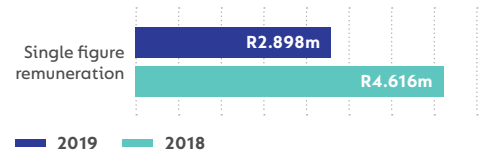
Ms Musekiwa's remuneration for 2019 includes income earned as of 12 June 2019, the date of her appointment as CFO. Ms Musekiwa has a permanent employment contract with a six-month notice period.

## Mr John Snalam

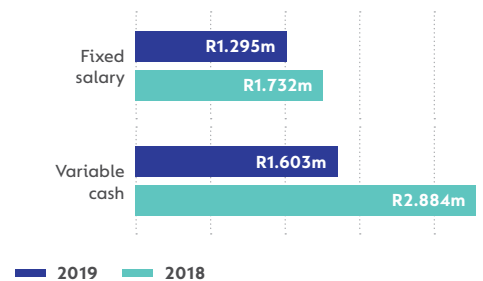
BCom, CTA, CA(SA)

Chief Financial Officer  
(retired 12 June 2019)

Mr John Snalam's remuneration for 2019 included income earned up to 12 June 2019, the date of his resignation as CFO. Mr Snalam remained employed by Coronation on a consultancy basis until his retirement on 30 September 2019. He did not receive a deferred remuneration allocation in 2018.



### REMUNERATION OUTCOME



## Non-executive directors

Non-executive directors of Coronation receive an annual fixed fee and an attendance fee for Board and subcommittee meetings, as contained in a resolution that is subject to shareholder approval. They do not participate in any of the remuneration structures addressed in this policy document or receive share options. In preparation for the 2019 fee proposal for non-executive directors, the Remuneration Committee considered the increased demands on directors to contend with the growing complexity of a global business and a dynamic regulatory environment. In addition, director fees were reviewed by PricewaterhouseCoopers against a group of comparable companies within the financial services sector. They observed that Coronation's non-executive director fees were reasonable in light of this comparison.

### 2019 FEES PAID TO THE NON-EXECUTIVE DIRECTORS\*

Non-executive directors	Basic fee R'000	Board meetings R'000	Audit and Risk Committee meetings R'000	Remuneration and Nominations Committee meetings R'000	SET Committee meetings R'000	Total 2019 R'000	Total 2018 R'000
Mr Shams Pather	145	697	97	242		1 181	1 019
Prof Alexandra Watson	145	449	328		131	1 053	825
Ms Judith February	145	393	97		161	796	678
Mr Jock McKenzie	145	393	197	197		932	831
Ms Lulama Boyce	126	342	171			639	542
Dr Hugo Nelson	145	393	197	242		977	792
Mrs Madichaba Nhlumayo**	38	114	28			180	–
<b>Total</b>	<b>889</b>	<b>2 781</b>	<b>1 115</b>	<b>681</b>	<b>292</b>	<b>5 758</b>	<b>4 687</b>

\* Actual non-executive directors' fees paid (excluding VAT where applicable)

\*\* Mrs Nhlumayo was appointed on 12 June 2019

We have proposed an inflation-based increase for 2020. We continue to monitor the fees to ensure that we are able to attract and retain non-executive directors with the required experience and expertise, especially given that we will be focusing on succession in the immediate future.

The proposal (as detailed in our Notice to Shareholders, which is available on [www.coronation.com](http://www.coronation.com)) will be submitted for approval by shareholders by way of a special resolution tabled at the AGM, in compliance with the Act. Approvals for non-executive directors' fees are sought excluding VAT, and where necessary non-executive directors will levy VAT on their fees.



# 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, Madichaba Nhlumayo, Hugo Nelson, Anton Pillay, Judith February, Lulama Boyce, Front row: Alexandra Watson, Shams Pather, Mary-Anne Musekiwa

## SHAMS PATHER

**Independent non-executive Chairman, 69**  
*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, 50**  
*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.

## MARY-ANNE MUSEKIWA

**Chief Financial Officer, 38**  
*BCom (Accounting), HDip Tax, CA(SA)*  
Mary-Anne was appointed as Chief Financial Officer and Financial Director in June 2019 and had been fulfilling the role of Deputy Chief Financial Officer since December 2018. Prior to joining Coronation, she served as Chief Financial Officer of projects at DirectAxis, a subsidiary of the FirstRand Group, where she provided strategic and financial input to various projects within the respective business units. Prior to that, she held roles in the fields of finance, tax, and accounting policy governance at various financial institutions.

## JUDITH FEBRUARY

**Independent non-executive director, 48**  
*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 Pan Macmillan 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, 63**  
*BCom (Hons), CA(SA)*  
Alexandra is an emeritus professor of the University of Cape Town, having retired in 2018 after decades of teaching postgraduate financial reporting. She is a former Chair 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 the South African Institute of Chartered Accountants (SAICA). In April 2018, Alexandra was appointed as an independent director of Steinhoff International Holdings NV. 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, 41**  
*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, 72**  
*BSc (Chem Eng), MA (Lancaster)*  
Jock is a member of the boards of Capitec and Zululand Distilling Company (Pty) Ltd, and retired from the Sappi board on 31 December 2019. He chairs the board of trustees of 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, 49**  
*MBChB, MBA (Oxon), CFA*  
Hugo is founding partner of Fortitudine Vincimus Capital Advisors (Pty) Ltd. He is a 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.

## MADICHABA NHLUMAYO

**Independent non-executive director, 41**  
*BBusSci, PGDA, CA (SA)*  
Madichaba was appointed as an independent non-executive director on 12 June 2019. Previous roles include executive director at Pan-African Holdings Capital (Pty) Ltd, a principal at Trinitas Private Equity Fund and transactor at RMB Ventures. Madichaba has been serving as an independent non-executive director on the boards of Coronation Life Assurance Company (Pty) Ltd and Coronation Management Company (RF) (Pty) Ltd since 1 August 2015.



# Board overview

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

The Board of Directors (the Board) serves as the focal point and custodian of corporate governance and is primarily responsible for the strategic leadership of the Group and approves the formulation and implementation of strategy to create sustainable value for all stakeholders while maintaining its commitment to good corporate governance and ethical leadership. The Board is ultimately responsible for the development of strategy and key policies and delegates the implementation thereof to the management team while remaining ultimately accountable for the due and proper fulfilment of its responsibilities.

The Board's responsibilities include:

- monitoring Coronation's performance;
- overseeing the governance of risk management, compliance and information technology;
- ensuring that an effective control environment is in place;
- ensuring that Coronation remunerates fairly, responsibly and transparently; and
- ensuring that the Company culture and values support Coronation's corporate objectives.

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](http://www.coronation.com).

## Group governance structures

Leadership is effected through a unitary Board that comprises a majority of independent non-executive directors. The Board has delegated certain of its functions and responsibilities to three committees, namely the Audit and Risk Committee, the Remuneration and Nominations Committee and the Social, Ethics and Transformation Committee. These committees serve to assist the Board in effectively discharging its duties by having oversight over key matters delegated to it and function according to clearly articulated terms of reference (→ *refer to pages 75 to 79 for the Board committee reports*). The committee chairs report to the Board at each Board meeting on matters considered by their respective committees. To ensure consistent application of the overall Group strategy, the CEO serves as a director on subsidiaries. The Board has unfettered access to management, who frequently consult with directors, individually and collectively, on a broad range of topics.



## Delegation to management

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.

Notwithstanding delegation by the Board, management's authorisation is limited to the levels of authority set out in the Group Authorisation Framework, which is reviewed and approved by the Board. The Company Secretary oversees the adherence to this framework and is empowered to escalate any irregularities to the Board.

## Board composition

As at 30 September 2019, Coronation's unitary Board comprised of two executive directors and seven 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.

In furtherance of Coronation's succession plan and its commitment to enhancing the independence and longevity of the Board, Mrs Madichaba Nhlumayo was appointed as a non-executive director of the Board, effective 12 June 2019. Mrs Nhlumayo has a sound understanding of the Company and the industry in which it operates as she served (and continues to serve) as a director on two Coronation subsidiary boards since 2015. A core component of the Board's succession plan is to utilise the

subsidiary board appointments as a preliminary appointment to the Board as it serves to induct the new director to the Coronation values and objectives while simultaneously enabling the Board to assess the skills and competence of the incumbent.

During the period under review, CFO and Financial Director Mr John Snalam retired from the Board after 25 years of service on 12 June 2019.

Subsequent to Mr Snalam's retirement, Ms Mary-Anne Musekiwa, who served as Deputy Chief Financial Officer, was appointed as CFO and Financial Director as from 12 June 2019.

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 an annual review when an independent non-executive director's tenure exceeds a period of nine years. As at September 2019, an independence assessment on the individual directors was conducted by the Board who considered various criteria with which to determine independence of the directors and the Board concluded that, in each instance, the independence of Mr Pather, Prof Watson, Ms February and Mr McKenzie's character and objective judgement were not impaired by their length of service.

## Board diversity

A core consideration in selecting appropriate candidates to serve on the Board is ensuring the appropriate level of diversity across race, gender, skills, experience and perspective that leads to a robust, strategic decision-making process. To this effect, the Board has adopted Group Nominations and Board Diversity policies, which are available on [www.coronation.com](http://www.coronation.com).

Cumulatively, the Board comprises chartered accountants, chartered financial analysts (CFAs), Masters in business administration (MBA) and law, as well as a Bachelor of medicine and chemical engineering. (→ *Refer to page 67 for the biographies of the Board members.*)

Diversity (race and gender) among directors in relation to voluntary targets set out in the Board Diversity Policy is reflected in the graphs below.

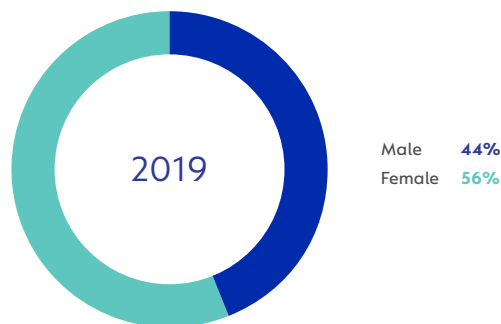
All Board members attended each meeting of the Audit and Risk Committee in 2019\*, which underscores the culture of leading and managing the business to the highest standards of ethics and governance. The cross-pollination of Board members on subcommittees and regular attendance at these meetings ensures all material matters are considered from a variety of perspectives, to better support the ultimate decisions of the Board.

an independent non-executive Chairperson, who is supported by a lead independent director.

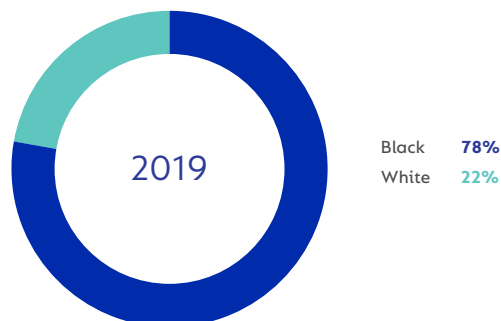
All Board members act independently from each other, as well as any shareholder or other stakeholder group.

Following the formal Board effectiveness assessment conducted by Deloitte in 2018, an informal assessment of the Board was conducted in 2019 which was overseen by the Company Secretary. This included an assessment of the effectiveness and independence of non-executive directors serving in excess of nine years and the Board is satisfied that all directors exercise objective, unfettered judgement and neither independence nor conflict of interest was raised as a concern. The Board concluded that it continues to perform effectively.

#### BOARD OF DIRECTORS BY GENDER



#### BOARD OF DIRECTORS BY RACE



#### Lead independent non-executive director

Professor 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 2020 AGM are Prof Alex Watson, Mr Shams Pather and Dr Hugo Nelson.

In addition, the appointments of Mrs Nhlumayo and Ms Musekiwa are to be ratified by shareholders at the upcoming AGM.

#### Board and subcommittee assessments

The Board's fiduciary duty is to always act in the best interests of the Company and its stakeholders through exercising autonomy in its decision-making process. Assessing the effectiveness of the Board is therefore a crucial element in determining whether Board members are unfettered and possess adequate capacity to meaningfully engage in the strategic leadership of the business to achieve the desired outcomes for stakeholders. The Board is led by

\* Non-committee member attendance by invitation only



## 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. Under the period of review no conflicts of interest were submitted to the Company Secretary.

## 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 directors' remuneration on page 66*).

## Delegation of authority

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 2019, the Board had three committees, namely the Audit and Risk Committee, the Remuneration and Nominations Committee and the Social, Ethics and Transformation Committee. All Board committee charters are available for review on our website [www.coronation.com](http://www.coronation.com).

## BOARD AND COMMITTEE MEMBERSHIP

	Board of Directors	Audit and Risk Committee	SET Committee	Remuneration and Nominations Committee
Shams Pather	Chairman			Member
Lulama Boyce	Director	Member		
Judith February	Director		Chairperson	
Jock McKenzie	Director	Member		Member
Hugo Nelson	Director	Member		Chairman
Alexandra Watson	Director	Chairperson	Member	
Madichaba Nhlumayo*	Director			
Anton Pillay	Director and CEO		Member	
Mary-Anne Musekiwa*	Director and CFO			
John Snalam**	Director and CFO			

\* Appointed 12 June 2019

\*\* Retired and resigned from the Board on 12 June 2019

All Board members attended 100% of meetings (both Board and committees)

## 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 2019 financial year.

Attendance at the meetings of the Board and the committees as at 30 September 2019 was as follows:

### BOARD AND COMMITTEE MEETING ATTENDANCE

	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%	
Mary-Anne Musekiwa*	100%			
Madichaba Nhlumayo*	100%			
John Snalam**	100%			

\* Since being appointed to the Board in June 2019

\*\* Resigned and retired from the Board in June 2019

## 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](http://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 directors of the Board is no less than 50% black and 50% female directors. At 30 September 2019, our voluntary target 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.

During the period under review, shareholders were notified that Mrs Lee-Anne Parenzee tendered her resignation as Company Secretary effective 30 June 2019 and subsequently shareholders were notified that Mrs Nazrana Hawa was appointed as the Company Secretary, effective 13 August 2019. Given the effective date of Mrs Hawa's appointment an assessment regarding her competence, qualifications and experience will be conducted in 2020.



# Governance and risk reports

In this section we provide our full set of financial year 2019 Board committee reports as well as our full Compliance, Risk and Information Technology reports.

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## SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

The responsibilities of the Social, Ethics and Transformation (SET) Committee includes monitoring of organisational ethics; responsible corporate citizenship; organisational transformation; the fulfilment of its statutory duties on behalf of the Group; as well as any additional functions as delegated by the Board. The SET Committee reports formally to the Board on each area within its mandate and makes recommendations to the Board for approval. The SET Charter, approved annually by the Board, more fully sets out the SET Committee's responsibilities and is available for review in the shareholder information section of our website [www.coronation.com](http://www.coronation.com).

While this SET Committee has insight into the investment process, the SET Committee is not accountable for trading or proxy voting decisions made by the investment team, which are operational decisions given the nature of the business. The first annual Stewardship Report was produced during 2019. The Report provides further insight into our engagement with investee companies and other stakeholders, and is available on our website [www.coronation.com](http://www.coronation.com).

The SET Committee comprises independent non-executive directors Ms Judith February (Chairperson), Prof Alexandra Watson, as well as Executive Director Mr Anton Pillay, each of whom lend a wealth of experience and diverse perspectives to SET Committee discussions. SET Committee meetings are also attended by the COO, the CFO, and the heads of Talent Management and Marketing by invitation. The SET Committee is supported in the execution of its mandate by staff and management committees, namely the Employment Equity and Corporate Social Investment committees.

The activities of these committees are formally reported to the SET Committee at each meeting.

The SET Committee met twice during 2019, and each meeting was fully attended by its members.

In its deliberations during the year, the SET Committee considered substantive local and international regulation and frameworks, as well as leading industry practice. Furthermore, the SET 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 2019

#### Labour and employment practices

- 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 the Bursary Programme.
- During the year, the SET Committee received feedback on "stay interviews" conducted with a sample of employees.

### Organisational ethics

- In addition to overseeing the promotion of an ethical culture, equality, and prevention of unfair discrimination, including monitoring adherence to the code of ethics and related policies, the SET Committee directed management to improve communication to employees on the breadth of matters comprising ethics, and channels of reporting.
- Monitoring the results of the anonymous whistle-blowing mechanism, maintained by a third party.

### Corporate citizenship

- The SET Committee discussed at length the efficacy of social impact investing programmes, including monitoring the quantitative and qualitative results of each programme.
- The SET Committee monitored corporate spend in respect of the various programmes supported.

### Stakeholder engagement

The Set Committee reviewed 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 SET Committee were noted during the year.

The SET 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 SET Committee completed a self-assessment during the 2019 financial year and is of the opinion that it has effectively discharged its responsibilities in terms of its mandate.

### Future focus

The SET Committee will continue to apply focus to the Group's relationships with its stakeholders, as well as public perception of the Company. Additionally, continued focus will be applied on meaningful transformation initiatives within the business, the financial services industry and the nation, insofar as the business is able to impact these areas.

The SET Committee looks forward to reviewing the performance of the CSI Capsule Programme that launched in March 2018, which reached its first anniversary in 2019. Criteria for a formal assessment were being developed at the time of writing this report.

The SET 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 is our duty to model best practice as a large corporate citizen in South Africa.

### Ms Judith February

Chairperson

Social, Ethics and Transformation Committee

## AUDIT AND RISK COMMITTEE REPORT

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

The Audit and Risk Committee's purpose and objectives, as mandated by the Board, extends, inter alia, to:

- providing independent oversight of audit and combined assurance requirements, quality and integrity, and monitoring the independence of the auditor and other assurance providers;
- exercising decision-making power and accountability in relation to the statutory duties of the Coronation Group;
- advising the Board in relation to the nature and extent of the risks and opportunities facing the Coronation Group; and
- overseeing the implementation of the Risk Framework, as well as the Internal Control Framework and other responses to risk.

The Audit and Risk Committee Charter, available on our website [www.coronation.com](http://www.coronation.com), more fully describes the role, duties and function of the Audit and Risk 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. There were no changes to the Audit and Risk Committee since the last reporting date.

The Audit and Risk Committee meets at least three times a year, in May, August and November, in conjunction with the key reporting cycles of the Group. The Audit and Risk Committee met

three times during the 2019 financial year, with full member attendance at all meetings.

Audit and Risk Committee meetings are attended by management, external auditors by standing invitation, as well as external subject matter experts, including internal audit service providers, as required. In addition, the remaining Board members regularly attend the proceedings of Audit and Risk Committee meetings. The Chairperson of the Audit and Risk Committee provides feedback on matters discussed at the Audit and Risk Committee meetings. The Board reviewed the performance of the Audit and Risk 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.

### Key focus areas

#### Oversight of financial controls and external audit

During the year, the Audit and Risk 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 Audit and Risk 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 as well as the feedback received from management, and was satisfied with the quality of the assessment.

#### The Company ensures auditor independence:

- The Audit and Risk Committee has set a limit of 10% of audit fees for any non-audit work undertaken by the external auditors.
- The Audit and Risk 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 Audit and Risk 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 Audit and Risk 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 regards to rotation and independence. The Audit and Risk Committee is satisfied that the external auditor is independent of Coronation.
- The Audit and Risk Committee is cognisant of the mandatory audit firm rotation rule which is effective from 1 April 2023. Management, under the direction of the Audit Committee Chair, has commenced with the initial discussions and investigations in order to facilitate the transition to a new external audit firm.
- The Audit and Risk Committee also considered and satisfied itself that the external auditor is independent of the Company as set out in section 94(8) of the Companies Act, and suitable for re-appointment considering, *inter alia*, the information stated in paragraph 22.15(h) of the JSE Listings Requirements.

### Oversight of the finance function

The Audit and Risk Committee was actively involved in the appointment of Ms Mary-Anne Musekiwa, who succeeded Mr John Snalam as Chief Financial Officer and Financial Director of the Company, with effect from 12 June 2019. Mary-Anne has been fulfilling the role of Deputy Chief Financial Officer since December 2018.

The Audit and Risk Committee is of the opinion that she has the appropriate expertise and experience to meet her responsibilities in the position, as required by the JSE Listings Requirements, given the following: regular and

comprehensive financial reporting to the Board; independent discussions between the Audit and Risk Committee Chair and external auditors regarding the effectiveness of the finance function; and her prior experience as senior finance professional in the financial services industry.(→ [Refer to page 67 for her biography](#)).

The Audit and Risk Committee also considered and is satisfied with the expertise and adequacy of resources within the finance function. Based on the processes and assurances obtained, the Audit and Risk Committee is of the view that the accounting practices are effective. The Audit and Risk Committee considered the following significant matters in relation to the annual financial statement:

- the adoption of IFRS 9 for the first time, as issued by the International Accounting Standards Board;
- the assessment of IFRS 16 and the potential impact it will have on the annual financial statement;
- that appropriate financial reporting procedures exist and are operating; and
- it satisfied itself in terms of paragraph 3.84(g)(i) of the JSE Listings Requirements.

### Oversight of combined assurance model

During the year, the Audit and Risk Committee approved the operational risk assurance plan (→ [refer to page 26](#)), 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 REPORT

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The Remuneration and Nominations Committee (Remuneration Committee) is a combined committee, consisting of three independent non-executive directors who operate under formal terms of reference. The Remuneration Committee is constituted in such a way that it is enabled to exercise competent and independent judgement on remuneration policies and practices and appointments to the Board. The Remuneration Committee is chaired by Dr Hugo Nelson, while the Chairman of the Board, Mr Shams Pather presides over matters relating to the Nominations Committee. The CEO or any other manager's attendance at meetings is by invitation, with the purpose of assisting in the execution of the Remuneration Committee's mandate. The Remuneration Committee usually meets three times a year, in April, September and October, as well as on an ad hoc basis, if required. During the 2019 financial year, the Remuneration Committee met three times and there was full attendance at all meetings by its members.

The primary objective of the Remuneration 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 a fair, independent and objective manner to provide assurance to stakeholders.

The Remuneration 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 Remuneration 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 Remuneration 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 71](#)).

The Remuneration 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 Remuneration 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 of this report ([→ page 52](#)). Please see the Remuneration Committee Charter in the shareholder information section of our website [www.coronation.com](http://www.coronation.com).

## RISK MANAGEMENT REPORT

Risks are an inherent and unavoidable part of any business. Appropriate risk management is crucial to protecting stakeholder interests, ensuring 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 defined tolerance (risk appetite). The Board has delegated responsibility for overseeing risk management to the Audit and Risk Committee and ultimately to management and the risk function. Risk management is a multifaceted discipline which requires appropriate governance, independent monitoring, frequent communication, the application of judgement and robust knowledge of specialised products, operations, legislation and markets.

Coronation's risk management objectives are to:

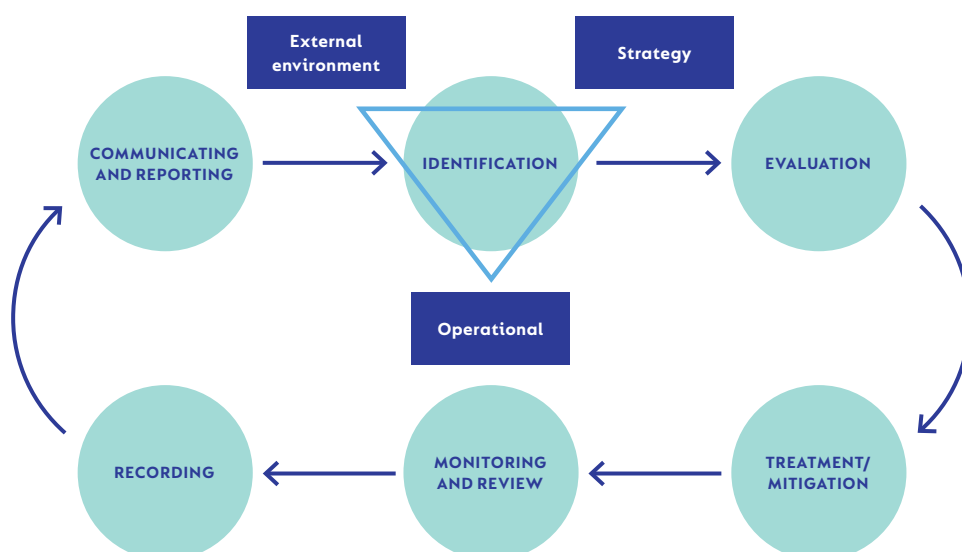
- create risk awareness and understanding across all levels of the business;
- integrate risk consciousness into daily decision-making and implementation processes;
- facilitate risk identification and mitigation across the Group within the risk appetite and risk-tolerance parameters defined by the Board;

- improve the ability to prevent, detect, correct, escalate and respond to critical risk issues by conducting risk monitoring; and
- apply appropriate risk management and corporate governance frameworks and guidelines.

Coronation's Risk Management Strategy and Framework (the Risk Framework) more fully articulates the Risk Management Policy and guides the approach to risk management across the business. The Risk Framework describes the key elements of risk management as illustrated below.

Risk management is a continuous process that should effectively employ resources 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 risk owners and take an active role in day-to-day risk management. This includes responsibility for identifying, evaluating, mitigating and monitoring risk in accordance with the Risk Framework.



The risk function comprises the Risk Officer and Risk Assurance Manager, who report to the Global Head of Risk and Compliance. 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 Audit and Risk Committee meetings are attended by the Global Head of Risk and Compliance, the Risk Officer and the Risk Assurance Manager, each of whom deliver their reports separately at each meeting.

The Audit and Risk Committee escalates material risk matters to the Board; however, all Board members are invited to and regularly attend

Audit and Risk Committee meetings ([→ refer to page 73](#)). Ongoing interaction additionally occurs between executive members of the Board and the senior management team.

We have developed, implemented and continuously improve the Risk Framework to ensure that the management of risk is integrated into the organisation's overall corporate governance structures, strategy, planning, reporting, policies, values and culture. We recognise that in a complex financial services environment, risk management processes and strategies should evolve, and should be subject to ongoing review and modifications, considering risk appetite, risk tolerance and risk resilience.

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.

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
<b>STRATEGY AND PLANNING RISKS</b>		
<b>Reputational risk</b>	An action, event or transaction that may cause a loss of confidence in Coronation's integrity or otherwise damage the Coronation brand.	<ul style="list-style-type: none"> <li>Our ownership culture, long-term strategic thinking and client-centric philosophy drive our behaviour, protect stakeholder interests and mitigate reputational risk.</li> <li>Remuneration structures are designed to align employee and stakeholder interests.</li> <li>All forms of media are regularly monitored to enable a proactive approach to reputational risk management.</li> <li>Material events which may impact the Group are directly escalated to the CEO and Chairman of the Board for consideration.</li> </ul>
<b>Market change risk</b>	The failure to respond to fundamental changes in the fund management industry, such as disruptive technologies, evolving distribution patterns or products to meet the changing profile and needs of clients.	<ul style="list-style-type: none"> <li>Continuous investment in the Coronation brand and our direct investor infrastructure.</li> <li>Through ongoing client engagement and generation of thought leadership, we affirm our commitment to our long-term investment philosophy.</li> <li>Fee structures are frequently reviewed to remain competitive and stay abreast of competitor consolidation and aggregation strategies.</li> <li>Active participation in industry bodies to influence legislative outcomes where possible.</li> <li>Develop new products in response to changing client needs, subsequent to in-depth research and viability assessments.</li> </ul>
<b>Compliance and regulatory risk</b>	Non-adherence to regulations.	<ul style="list-style-type: none"> <li>The compliance department maintains a robust compliance programme to ensure compliance with all relevant regulations.</li> <li>Compliance, with assistance from specialised external compliance consultants as needed, implement and test adherence to current regulation on an ongoing basis.</li> <li>Employee training and awareness.</li> <li>Continuous monitoring of the pipeline of new or amended legislation potentially impacting the business.</li> <li>Periodic independent assurance on the adequacy and efficacy of our compliance arrangements.</li> </ul>

Risk	Definition	Management and mitigation
<b>STRATEGY AND PLANNING RISKS (CONTINUED)</b>		
<b>Transformation risk</b>	Not responding in a considered manner to achieving true transformation and potential non-achievement of Financial Sector Code targets.	<ul style="list-style-type: none"> <li>➤ The Employment Equity (EE) Committee oversees achievement of transformational targets in accordance with our Employment Equity Plan. The EE Committee also ensures that policies and practices do not prohibit sourcing and retaining talented black individuals.</li> <li>➤ The EE Committee reports to and its activities are overseen by the SET Committee (→ <i>refer to page 75</i>).</li> <li>➤ Significant investment in educating previously disadvantaged youth is made through our bursary, internship and graduate recruitment programmes (→ <i>refer to page 22</i>).</li> </ul>
<b>Brexit risk</b>	The effects of Brexit on our offshore operating and EU distribution model.	<ul style="list-style-type: none"> <li>➤ Coronation is closely monitoring the situation and we have a plan in place in the event of a so-called “hard Brexit” which will ensure there is no material impact on our offshore strategy.</li> </ul>
<b>Conduct risk</b>	The failure of staff to comply with Coronation policies resulting in behaviour, which is detrimental to clients, illegal, unethical or otherwise damaging to Coronation’s reputation.	<ul style="list-style-type: none"> <li>➤ An ethical and client-centric culture is driven from the top throughout the organisation. Acting in the best interests of clients is central to all that we do, and there is a common understanding that if we lose the trust of our clients, we will not have a business.</li> <li>➤ Employees undergo robust screening and vetting prior to being appointed. Certain practical steps are also taken, such as: <ul style="list-style-type: none"> <li>› Key operational processes are designed with an independent review element and segregation of duties is embedded in the control environment.</li> <li>› Ongoing staff training and awareness of Coronation policies.</li> <li>› The Compliance department conducts regular monitoring of adherence key to policies.</li> <li>› Key personnel are subjected to periodic criminal and credit checks.</li> <li>› We engage the services of an external provider to provide a 24/7 “whistle-blowing hotline” where staff can anonymously report any unethical behaviour.</li> <li>› We have a robust operational risk assurance programme in place whereby external service providers periodically test adherence to key processes and controls.</li> </ul> </li> </ul>
<b>INVESTMENT MANAGEMENT RISK</b>		
<b>Investment performance risk</b>	Sustained poor investment returns relative to peer funds and benchmarks.	<ul style="list-style-type: none"> <li>➤ 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.</li> <li>➤ The investment team is subdivided into areas with specific focus per asset type and/or region, who rigorously monitor the markets and make investment decisions supported by our proprietary research.</li> <li>➤ 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.</li> <li>➤ Investment analysts have deepened their research and understanding of environmental, social and governance factors.</li> <li>➤ Extensive insights and thought leadership on markets and Coronation strategies are made available to clients as well as the general public, including in our quarterly publication, Corospondent. Additional information on investment governance is provided on (→ <i>page 18</i>).</li> </ul>

Risk	Definition	Management and mitigation
<b>INVESTMENT MANAGEMENT RISK (CONTINUED)</b>		
<b>Credit and counterparty risk</b>	The inability or unwillingness of an outsourced or key service provider to discharge its contractual obligations.	<p>Credit and counterparty risk is overseen by our Counterparty and Credit Risk Committee that:</p> <ul style="list-style-type: none"> <li>➤ Convenes monthly and comprises fixed income portfolio managers, credit analysts, risk and compliance representatives.</li> <li>➤ Is chaired by an experienced independent non-executive Chairperson.</li> <li>➤ 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.</li> <li>➤ Monitors daily credit exposures, along with the investment risk and performance team, a specialist control function, through a review of system-generated reports.</li> </ul>
<b>OUTSOURCING, OPERATIONS AND INFRASTRUCTURE RISKS</b>		
<b>Outsourcing risk</b>	The inability or unwillingness of an outsourced or key service provider to discharge its contractual obligations.	<p>A Service Provider Management Framework has been implemented which includes:</p> <ul style="list-style-type: none"> <li>➤ 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.</li> <li>➤ Monitoring adherence to service level agreements, implementation of formal communication channels and escalation procedures to manage and resolve issues identified.</li> <li>➤ Conducting periodic formal on-site due diligence.</li> </ul>
<b>Risk of operational failure</b>	Operational processes and controls may be inadequate and/or operating ineffectively, resulting in operational errors and financial loss.	<ul style="list-style-type: none"> <li>➤ 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.</li> <li>➤ 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. (→ <a href="#">refer to page 25</a>).</li> </ul>
<b>Human resources risk</b>	Inability to attract, motivate and prevent the departure of top talent.	<ul style="list-style-type: none"> <li>➤ Our people are our most prized assets. Accordingly, our work environment, culture and Remuneration Policy are designed to attract, retain and motivate great talent (→ <a href="#">refer to page 55</a>).</li> <li>➤ Our high-performance culture, employee ownership and personal career development opportunities are defining characteristics of our business that helps to attract and retain employees.</li> <li>➤ We maintain a bursary and internship programme (→ <a href="#">refer to page 22</a>) which serves the dual purpose of developing the nation's youth and providing a workforce pipeline.</li> </ul>
<b>Information and technology (IT) risk</b>	Obsolescence of infrastructure, deficiency in integration, failures/ inadequacies in systems/ networks that may significantly disrupt core operations.	<ul style="list-style-type: none"> <li>➤ 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 (→ <a href="#">refer to page 88</a>).</li> <li>➤ 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.</li> </ul>

Risk	Definition	Management and mitigation
<b>OUTSOURCING, OPERATIONS AND INFRASTRUCTURE RISKS (CONTINUED)</b>		
<b>Cyber security risk</b>	Ineffective preparation for and management of cyber threats that may significantly disrupt core operations, cause financial loss and damage our reputation.	<ul style="list-style-type: none"> <li>➤ Cyber risk is holistically managed across people, processes and technology. This includes enforcing appropriate policies, conducting ongoing employee awareness and employing technology to prevent and/or detect potential or actual threats to the security of our environment.</li> <li>➤ Vulnerability management occurs regularly whereby the server and desktop environments are scanned for threats and patches deployed as needed.</li> <li>➤ Independent subject matter experts perform penetration testing on a regular basis, and the implementation of recommendations is closely monitored.</li> <li>➤ Live monitoring of cyber threats and system logs occurs via our dedicated Security Operations Centre (SOC).</li> </ul>
<b>Data protection risk</b>	Policies and processes do not adequately ensure protection of client data, including sufficient oversight of data at our service providers.	<ul style="list-style-type: none"> <li>➤ Improving information management and security is a never-ending journey. We run a continuous improvement programme.</li> <li>➤ A cross-functional team in the form of an Information Management Steering Committee actively identifies and manages information-related risks and improves information management processes. Focus areas of the programme over the period have included improving the maturity of information management processes and systems, reviewing and enhancing systems that proactively protect against common data breach vulnerabilities, managing third-party access to data stores and emphasis on staff awareness and training.</li> <li>➤ Subject matter experts have been engaged to assist with our improvement programme and to test the effectiveness of IT security at various intervals throughout the year.</li> </ul>
<b>Disaster recovery and business continuity risk</b>	A physical event or system failure which could inhibit Coronation's ability to perform core business activities.	<ul style="list-style-type: none"> <li>➤ Comprehensive business continuity and disaster recovery plans are tested semi-annually to ensure complete restoration of core business functions in the event of a disaster, within a defined recovery objective. This includes user acceptance testing to verify recovered systems are fully operational.</li> <li>➤ The continuity and recovery plans include off-site retention of data backups and access to a recovery warm site.</li> </ul>
<b>Data quality risk</b>	The lack of quality data, which includes data accuracy, consistency and reliability.	<ul style="list-style-type: none"> <li>➤ A significant amount of data has been migrated to a data warehouse.</li> <li>➤ A Master Data Management process has been implemented for static and analytics data.</li> <li>➤ An accelerated Data Governance initiative has been undertaken.</li> </ul>
<b>FINANCIAL AND REPORTING RISKS</b>		
<b>Liquidity and capital risk</b>	Insufficient liquidity to meet liabilities when due under normal and stressed conditions as well as not maintaining sufficient regulatory capital.	<ul style="list-style-type: none"> <li>➤ Regular, detailed cash flows are prepared on a rolling prospective 12-month basis based on business forecasts to assess such risks.</li> <li>➤ Liquidity and capital requirements are subject to stress tests and scenario analysis. These are reported quarterly to the Board for review and approval.</li> <li>➤ There is an ongoing assessment of liquidity and capital. These requirements are reviewed by management and the Board.</li> </ul>

## COMPLIANCE REPORT

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### 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:

- Financial Sector Conduct Authority (South Africa)
- Prudential Authority – South African Reserve Bank
- 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 Global Head of 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 Audit and Risk Committee, the Global Head of Risk and Compliance periodically conducts one-on-one meetings with the independent non-executive Chairperson of the Audit and Risk Committee.

The global compliance function consists of the Global Head of Risk and Compliance, four compliance officers 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.

### Culture of compliance and ethics

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 page 6](#)).

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 Treating Customers Fairly (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.



## 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.
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"> <li>▶ Compliance Induction Training;</li> <li>▶ Compliance Broadcasts distributed by email to all staff covering key policies and alerts;</li> <li>▶ e-learning and in-person training to satisfy various regulatory requirements; and</li> <li>▶ on-the-job training, particularly in instances where compliance requirements are embedded in daily processes.</li> </ul>
Work in close partnership with management to develop pragmatic risk-based solutions to regulatory challenges	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 regular contact with the CEO, the COO and other members of executive management.
Ensure the Audit and Risk Committee is kept informed of material compliance risks facing the firm, including via effective formal reporting	Monthly written risk and compliance reports are provided to executive management, as well as the independent Chair of the Audit and Risk Committee. A risk and compliance report pack is provided to the Audit and Risk Committee for review and discussion at Committee meetings, which are held three times a year. 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 Chairperson of the Audit and Risk Committee, without management present.
Manage service provider and regulatory relationships effectively	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).

## Key areas of regulatory focus over the period

We remain abreast of key regulatory developments impacting our business on a continuous basis and develop projects and initiatives to address new or amended regulatory obligations. Over the period some of our key areas of focus include:

- ▶ amendments to the Financial Intelligence Centre Act 38 of 2001 (FICA);
- ▶ reform of the retail distribution system;
- ▶ the implementation of the new Twin Peaks model of financial sector regulation in South Africa;
- ▶ engaging in consultation on the Conduct of Financial Institutions Bill (COFI);
- ▶ CPD requirements in terms of the Financial Advisory and Intermediaries Services Act for intermediaries;
- ▶ internal reviews and testing of information management and security practices to ensure alignment with requirements of the Protection of Personal Information (POPI) Act;
- ▶ ensuring compliance and engaging with the Prudential Authority on application and implementation of the Insurance Act;
- ▶ impacts of Brexit and ensuring contingency plans in the event of a hard Brexit are in place;
- ▶ implanting changes to comply with the UK's "Senior Managers and Certification Regime";
- ▶ remaining abreast of US regulatory developments impacting registered SEC "investment advisers"; and
- ▶ monitoring of Central Bank of Ireland review of industry compliance and their recommendations with regard to Fund Management Companies Guidance.

## INFORMATION TECHNOLOGY AND SYSTEMS REPORT

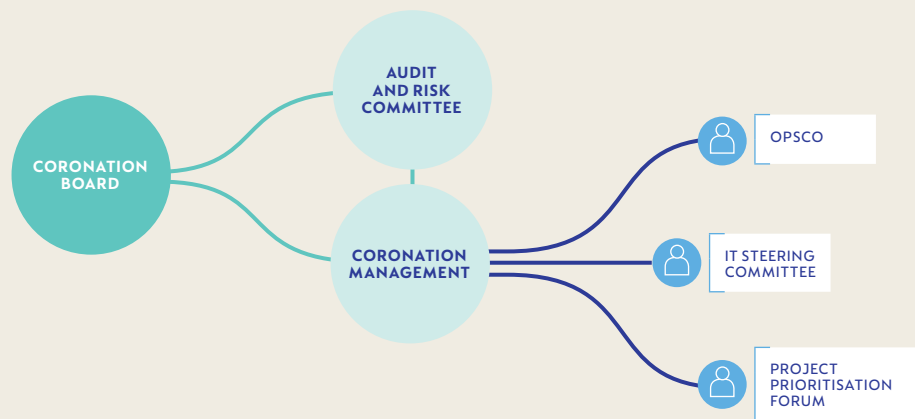
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The effective management of information, information technology (IT) and information systems (IS) is key to achieving our strategic objectives, particularly in delivering excellent client service and supporting long-term investment outperformance. The Board aims to represent the interests of all stakeholders in delivering a successful and sustainable business. Accordingly, the Board is accountable for governing the ethical and effective application of resources toward the achievement of strategic outcomes to create value for stakeholders. IT and IS at Coronation are viewed as key enablers of the Group's strategic objectives, and as such, require robust governance.

The Board has identified the following as key technology and information governance objectives:

- Monitoring the alignment of short-, medium- and long-term strategies of the business and technology;
- Maintaining formalised IT governance at Coronation, aligned to existing corporate governance structures and leading practices;
- Monitoring the integrity and availability of technology and information to meet business needs in a timely manner;
- Developing and maintaining appropriate organisational structures, relationships, frameworks and processes to support IT governance;
- Measuring and managing the cost expended and the value received from technology;
- Managing technology resources and assets, including information, in an efficient and effective manner, such that the value derived from these resources is maximised;
- Safeguarding technology resources and information;
- Monitoring adherence to legislative requirements and other guidance as it pertains to IT management relevant to the Group, including but not limited to King IV™ Control Objectives for Information and Related Technologies (COBIT); the Information Technology Infrastructure Library (ITIL); and the International Organisation for Standardisation 27000 series supporting information security (ISO 27000);
- Establishing appropriate policies and frameworks that articulate and give effect to the key technology and information objectives set by the Board; and
- Establishing performance criteria aligned with operational expectations and periodic measurement of actual versus desired performance levels.

The Board has delegated to management the responsibility to implement and execute effective technology and information management. Management approves the direction for how IT should be managed and is supported by the Operations Committee (OPSCO), the IT Steering Committee and the Project Prioritisation Forum. In addition, the Board has mandated the Audit and Risk Committee to oversee the adequate and effective risk management and system of internal control, including those pertaining to technology. The organisational and governance structure is illustrated in the following visual.



We also set up dedicated committees to deal with specific technology projects.

Party	Role and responsibility
<b>Coronation Board</b>	<ul style="list-style-type: none"> <li>➤ Sets strategic goals and objectives for the business including IT-related goals and objectives</li> <li>➤ Evaluates and approves significant IT-related initiatives</li> <li>➤ Exercises ongoing oversight of IT management</li> <li>➤ Evaluates the effectiveness of the Company's IT arrangements, including outsourced services, in achieving strategic objectives</li> <li>➤ Monitors implementation of significant technology initiatives/projects</li> <li>➤ Monitors the management of technology-related risks, including cyber risk, with the support of the Audit and Risk Committee</li> </ul>
<b>Audit and Risk Committee</b>	<ul style="list-style-type: none"> <li>➤ Monitors the management of IT-related risks, including cyber risk</li> <li>➤ Oversees technology, IS and information-related assurance</li> </ul>
<b>Management</b>	<ul style="list-style-type: none"> <li>➤ Establish the target business and operating model to achieve strategic goals established by the Board</li> <li>➤ Responsible for implementation and execution of effective IT management within the business</li> <li>➤ Approve significant IT-related initiatives prior to seeking the Board approval to implement</li> <li>➤ Oversee major IT projects</li> </ul>
<b>Operations Committee</b>	<ul style="list-style-type: none"> <li>➤ Drives implementation of IT-related projects</li> <li>➤ Recommends technology-related projects to executives based on strategic goals and objectives</li> <li>➤ Oversees end-user acceptance of technology</li> <li>➤ Responsible for the operational management of IT</li> </ul>
<b>IT Steering Committee</b>	<ul style="list-style-type: none"> <li>➤ Drives implementation of appropriate technology infrastructure to support business and objectives</li> <li>➤ Advises on technology-related risks faced by the business</li> <li>➤ Acts as an adviser to the business in respect of IT</li> </ul>
<b>Project Prioritisation Forum</b>	<ul style="list-style-type: none"> <li>➤ Prioritises and optimises efficient delivery of approved projects</li> </ul>

### Leveraging the efficiencies of our new administration model

Significant IT resources were dedicated to fine-tuning the changes required as a result of the implementation of our new administration model which included:

- The transfer of administration services to JP Morgan and establishing a new in-house middle-office function effective 1 July 2018; and
- The migration of our transfer agency services to Intembeko Investment Administrators on 17 November 2018.

The post-go-live support required to embed the services was planned and expected given the significance of the changes implemented. The changes above were all delivered within the agreed deadlines and with no disruption to clients.

### Impact of the Financial Intelligence Centre Amendment Act

The Financial Intelligence Centre Amendment Act (FICAA) introduces a risk-based approach (RBA) to compliance elements such as customer due diligence. RBA requires an Accountable Institution to understand its potential exposure to money laundering and terrorist financing risks and to direct its resources accordingly, so that the greatest risks receive the highest attention. Accordingly, we have reviewed our processes and implemented shorter term tactical solutions and are rolling out longer term strategic solutions. The strategic, technology-based, solutions to client onboarding and ongoing client due diligence include the following:

- Automation of client due diligence procedures including client risk assessment, client screening and transaction monitoring;
- Improvements to client onboarding and maintenance workflow; and
- Improved client experience despite the increase in regulation.

### Building of a new online service offering

We have started the process of re-platforming our retail servicing online tools. Our objective is to deliver an intuitive experience that reflects our long-term investment philosophy, where our retail clients can easily find the information they need and transact in a simple and secure environment. We anticipate delivering this new offering in phases, starting in the fourth quarter of 2020.

### The management of technology risks

Coronation's key technology risks are detailed on → [page 91](#). During the past year, there was no material breach of our IT and IS security processes to manage these risks. We measure the value added by our IT strategy and investments against the following benchmarks:

- Improvements in client service and meeting the evolving needs of clients;
- Derisking of the business;
- The scalability and flexibility of systems;
- Operational efficiencies and cost savings; and
- Platform stability

Outcomes are measured through active monitoring and feedback from clients and intermediaries. Our evaluation of our performance against these benchmarks is favourable. We remain committed to ensuring that they are met through our efficient delivery of sustainable, scalable technology solutions.

### IT and IS risk management

We consider technology risks as part of our overall risk assessment. These risks are incorporated in an annual operational risk assessment and material IT/IS risks are escalated to the key risk register, which is submitted to the Audit and Risk Committee, which also reviews regular reports on IT and IS risk. Key technology risks are detailed on the following page.

<b>Risk</b>	<b>Mitigation strategies</b>
<b>Security of information</b>	We monitor and protect security of information through various measures, including file tracking and monitoring, data loss prevention software, access controls, approval processes and backup controls. Coronation's Security Operations Centre monitors these measures. Coronation has implemented software to identify cyberattacks in real time. A summary of these attempts is reported to the Audit and Risk Committee.
<b>Disaster recovery and business continuity</b>	Coronation has an established Business Continuity and Disaster Recovery Plan. Disaster recovery tests are conducted semi-annually, and the results are reviewed by the Audit and Risk Committee. An integral component of our business continuity planning involves the assessment of potential disruptive events that could affect normal working operations. These scenarios are workshopped with the relevant business heads to agree on the most appropriate response that will ensure business continuity.
<b>Cyber security risk</b>	This includes the loss of data confidentiality, availability and integrity as a result of unauthorised access to systems. Cyber risk is holistically managed across people, process 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 the environment. Vulnerability management occurs on an ongoing basis on both the server and desktop environments. In addition, independent subject matter experts perform penetration testing at regular intervals, and the implementation of recommendations are closely monitored.
<b>Third-party supplier risk</b>	A significant number of operational procedures have been designed to exercise adequate and effective oversight over these third parties. These operational processes are audited annually. In addition, periodic due diligence is performed on material service providers in terms of a defined Service Provider Framework. Feedback on IT due diligence performed on material service providers is distributed to the Audit and Risk Committee. Third-party ISAE 3402 reports are regularly obtained and distributed to the Chairperson of the Audit and Risk Committee. Coronation reviews daily diagnostic reports and incident logs from service providers.
<b>Duplicate and inconsistent data</b>	Data has been migrated to a new data warehouse which has improved control functionality and data governance, as well as ownership reporting capabilities.
<b>Failure to resolve data validation and integration errors between internal and external systems accurately and in a timely manner</b>	We have a number of procedures in place for the early detection and resolution of variances, including automated and manual reconciliations that are performed to detect variances, as well as an alert system on automated errors.
<b>Unavailability of cloud-based solutions</b>	Redundant connectivity has been built into email, internet and telephone lines. Strong relationships are maintained with vendors, which is monitored through constant evaluation. In addition, clear escalation paths are defined, and cloud due diligence assessments are performed.
<b>Inability to recruit IS employees with the relevant skills and experience</b>	Coronation has talent management initiatives (detailed on <a href="#">→ page 49</a> ) to attract highly skilled employees. In the event that it is not possible to recruit IS employees of suitable skills and experience, an insourcing arrangement will be entered into.
<b>Failure to upgrade or replace key systems and infrastructure to meet changing business needs/ business priorities</b>	An information systems strategy is in place, which governs the replacement strategy of key systems and the achievement of business requirements. Furthermore, IT and IS report to the COO, which facilitates integration of alignment between business and technology.
<b>Failure to secure client and other confidential data on mobile devices</b>	A Mobility and Bring Your Own Device (BYOD) Policy is in place, enforcing password controls on mobile devices. Our systems also have the ability to remotely clear and secure mobile phones.

The IT general control environment is annually assured in accordance with ISAE 3402. In addition, specific IT/IS reviews are performed by PricewaterhouseCoopers. The results of these reviews are reported to the Audit and Risk Committee.

#### Future focus

- The governance, management and security of data remains a priority.
- Enhancing and extracting additional efficiencies from the new services related to JP Morgan outsourcing and middle office.
- The wider rollout of CRM systems, improved automation and workflow.
- Effective management of vendors.
- Implementing a POPI Framework.





# Financial performance

*The condensed consolidated financial information has been extracted from the audited financial statements. The audited financial statements are available at [www.coronation.com](http://www.coronation.com).*

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	AUDITED 30 SEPT 2019 R MILLION	AUDITED 30 SEPT 2018 R MILLION	% CHANGE
<b>Fund management activities</b>			
<b>Revenue</b>	<b>3 291</b>	3 848	(14%)
Other income	22	18	
<b>Total operating expenses</b>	<b>(1 797)</b>	(1 933)	(7%)
Other expenses	(1)	(3)	
Operating expenses	(1 796)	(1 930)	
<b>Results from operating activities</b>	<b>1 516</b>	1 933	(22%)
Finance and dividend income	37	38	
Finance expense	(24)	(24)	
Share of profit of equity-accounted investee	6	8	
<b>Profit from fund management</b>	<b>1 535</b>	1 955	(22%)
Sundry gains and losses*	40	–	
<b>Income attributable to policyholder linked assets and investment partnerships</b>	<b>4</b>	5	
Net fair value gains on policyholder and investment partnership financial instruments	87	99	
Administration expenses borne by policyholders and investors in investment partnerships	(83)	(94)	
<b>Profit before income tax</b>	<b>1 579</b>	1 960	(19%)
<b>Income tax expense</b>	<b>(383)</b>	(489)	
Taxation on shareholder profits	(379)	(484)	
Taxation on policyholder investment contracts	(4)	(5)	
<b>Profit for the year</b>	<b>1 196</b>	1 471	(19%)
<b>Other comprehensive income (to be reclassified to profit and loss in future periods)</b>	<b>7</b>	55	
Foreign currency translation differences for foreign operations	7	22	
Net change in fair value of available-for-sale financial assets	–	33	
<b>Total comprehensive income for the year</b>	<b>1 203</b>	1 526	
<b>Profit attributable to:</b>			
– equity holders of the company	1 196	1 471	(19%)
– non-controlling interest	–	–	
<b>Profit for the year</b>	<b>1 196</b>	1 471	
<b>Total comprehensive income attributable to</b>			
– equity holders of the company	1 203	1 526	(21%)
– non-controlling interest	–	–	
<b>Total comprehensive income for the year</b>	<b>1 203</b>	1 526	
<b>Earnings per share (cents)</b>			
– basic	341.9	420.7	(19%)
– diluted	341.9	420.7	(19%)
<b>Note to the statement of comprehensive income</b>			
<b>Headline earnings per share (cents)</b>			
– basic	341.9	420.7	(19%)
– diluted	341.9	420.7	(19%)
<b>Dividend per share (cents)</b>			
– interim	165.0	223.0	(26%)
– final	176.0	197.0	(11%)

\* The following changes have been made to the presentation of the statement of comprehensive income:

As a result of IFRS 9 sundry gains has been added in order to show the unrealised movement on investments whose gains and losses were previously recorded in equity through other comprehensive income.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AUDITED 30 SEPT 2019 R MILLION	AUDITED 30 SEPT 2018 R MILLION
<b>Assets</b>		
Intangible assets	1 088	1 088
Equipment	18	20
Investment in equity accounted investees	42	41
Deferred tax asset	126	125
Investments backing policyholder funds and investments held through investment partnerships	49 603	51 424
Investment securities	1 145	1 190
Taxation receivable	–	15
Trade and other receivables	448	448
Cash and cash equivalents	682	805
<b>Total assets</b>	<b>53 152</b>	<b>55 156</b>
<b>Liabilities</b>		
Long term borrowings (note 3)	150	300
Deferred tax liabilities	27	23
Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships	49 598	51 421
Short-term portion of long-term borrowings (note 3)	150	–
External investors in consolidated funds (note 5)	260	221
Taxation payable	38	–
Trade and other payables	748	935
<b>Total liabilities</b>	<b>50 971</b>	<b>52 900</b>
<b>Net assets</b>	<b>2 181</b>	<b>2 256</b>
<b>Equity</b>		
Share capital and premium	256	256
Retained Earnings	1 609	1 539
Reserves	169	301
Total equity attributable to equity holders of the company	2 034	2 096
Non-controlling interest in consolidated funds (note 5)	147	160
<b>Total equity</b>	<b>2 181</b>	<b>2 256</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL AND PREMIUM R MILLION	FOREIGN CURRENCY TRANSLATION RESERVE R MILLION	RETAINED EARNINGS R MILLION	SHARE-BASED PAYMENT RESERVE R MILLION	REVALUATION RESERVE R MILLION	ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY R MILLION	NON- CONTROLLING INTEREST R MILLION	TOTAL EQUITY R MILLION
Balance at 30 September 2017 (audited)	256	131	1 607	5	107	2 106	166	2 272
<b>Total comprehensive income for the year</b>								
Profit for the year			1 471			1 471	–	1 471
<b>Other comprehensive income (available to be recycled to profit and loss in future periods)</b>								
Currency translation differences		22				22		22
Revaluation of available-for-sale financial assets					33	33		33
Total other comprehensive income	–	22	–	–	33	55	–	55
<b>Total comprehensive income for the year</b>	–	22	1 471	–	33	1 526	–	1 526
<b>Transactions with owners recorded directly to equity</b>								
Share-based payments				3		3		3
Transfer to retained earnings								
Dividends paid			(1 539)			(1 539)		(1 539)
Change in non-controlling interest in consolidated funds (note 5)							(6)	(6)
Total transactions with owners	–	–	(1 539)	3	–	(1 536)	(6)	(1 542)
<b>Balance at 30 September 2018 (audited)</b>	256	153	1 539	8	140	2 096	160	2 256
Transfer between reserves 1 October 2018 (Note 1)			140		(140)			
<b>Total comprehensive income for the year</b>			1 196			1 196	–	1 196
Profit for the year								
<b>Other comprehensive income (available to be recycled to profit and loss in future periods)</b>								
Currency translation differences		7				7		7
<b>Total comprehensive income for the year</b>	–	7	1 196	–	–	1 203	–	1 203
<b>Transactions with owners recorded directly to equity</b>								
Share-based payments				1		1		1
Dividends paid			(1 266)			(1 266)		(1 266)
Change in non-controlling interest in consolidated funds (note 5)							(13)	(13)
Total transactions with owners	–	–	(1 266)	1	–	(1 265)	(13)	(1 278)
<b>Balance at 30 September 2019 (audited)</b>	256	160	1 609	9	–	2 034	147	2 181

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	AUDITED 30 SEPT 2019 R MILLION	AUDITED 30 SEPT 2018 R MILLION
<b>Cash flows from operating activities</b>		
Profit from fund management	1 535	1 955
Non cash and other adjustments	7	(15)
<b>Operating cash flows before changes in working capital</b>	<b>1 542</b>	<b>1 940</b>
Working capital changes	(170)	314
Cash flows from policyholders and investment partnership activities	54	(2 427)
<b>Cash generated from/(utilised by) operations</b>	<b>1 426</b>	<b>(173)</b>
Interest paid	(24)	(24)
Income taxes paid	(325)	(490)
<b>Net cash from operating activities</b>	<b>1 077</b>	<b>(687)</b>
<b>Cash flows from investing activities</b>		
Finance and dividend income	37	38
Acquisition of equipment	(12)	(12)
Net disposal/(acquisition) of investment securities	88	(8)
<b>Net cash from investing activities</b>	<b>113</b>	<b>18</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(1 266)	(1 539)
<b>Net cash from financing activities</b>	<b>(1 266)</b>	<b>(1 539)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(76)</b>	<b>(2 208)</b>
Net (decrease)/increase in cash and cash equivalents – shareholders	(130)	219
Net increase/(decrease) in cash and cash equivalents – policyholders and investment partnerships	54	(2 427)
<b>Cash and cash equivalents at beginning of the period</b>	<b>6 073</b>	<b>8 259</b>
Cash and cash equivalents at beginning of period – shareholders	805	564
Cash and cash equivalents at beginning of period – policyholders and investment partnerships	5 268	7 695
<b>Effect of exchange rate fluctuations on cash held</b>	<b>7</b>	<b>22</b>
<b>Cash and cash equivalents at end of the period</b>	<b>6 004</b>	<b>6 073</b>
Cash and cash equivalents at end of period – shareholders	682	805
Cash and cash equivalents at end of period – policyholders and investment partnerships	5 322	5 268

The above cash flows include the policyholder and investment partnership activities. These cash flows represent net contributions and withdrawals by policyholders and investment partnerships and the related investing activities. Cash and cash equivalents of policyholders and investment partnerships are not available for use by the shareholders of the group.

## EARNINGS PER SHARE

	AUDITED 30 SEPT 2019 R MILLION	AUDITED 30 SEPT 2018 R MILLION
Earnings attributable to shareholders	1 196	1 471
Non-controlling interest	–	–
Earnings attributable to ordinary shareholders	1 196	1 471
Headline earnings attributable to ordinary shareholders	1 196	1 471
Earnings per share (cents)		
– basic	341.9	420.7
– diluted	341.9	420.7
Headline earnings per share (cents)		
– basic	341.9	420.7
– diluted	341.9	420.7

## CONDENSED CONSOLIDATED SEGMENT REPORT

	AFRICA		INTERNATIONAL		GROUP	
	AUDITED 30 SEPT 2019 R MILLION	AUDITED 30 SEPT 2018 R MILLION	AUDITED 30 SEPT 2019 R MILLION	AUDITED 30 SEPT 2018 R MILLION	AUDITED 30 SEPT 2019 R MILLION	AUDITED 30 SEPT 2018 R MILLION
Segment external revenue	2 165	2 516	1 126	1 332	3 291	3 848
Segment operating expenses	(1 308)	(1 457)	(489)	(476)	(1 797)	(1 933)
Segment profit	857	1 059	637	856	1 494	1 915
Share of income of equity-accounted investee	6	8	–	–	6	8
Net finance and other income/(expense)	39	10	(4)	22	35	32
Profit from fund management	902	1 077	633	878	1 535	1 955
Sundry gains/(losses)					40	–
Income*					4	5
Profit before income tax					1 579	1 960
Segment assets	1 383	1 557	910	921	2 293	2 478
Investments*					50 859	52 678
Total assets					53 152	55 156

\* Income and investments are attributable to and backing policyholder funds and investments held through investment partnerships and other assets.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 1. Basis of preparation and accounting policies

The financial information has been prepared in accordance with the framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards ("IFRS"); the International Accounting Standard 34 Interim Financial Reporting; the Listings Requirements of the JSE Limited; the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, as well as the South African Companies Act, No. 71 of 2008. The condensed consolidated financial statements do not include all of the information required for a complete set of IFRS annual financial statements.

These condensed consolidated financial statements have been prepared in accordance with the historical cost basis except for certain financial instruments which are stated at fair value. The condensed consolidated financial statements are presented in rand, rounded to the nearest million.

The accounting policies applied in the presentation of the condensed financial statements are in terms of IFRS and consistent with those of the 2018 annual financial statements except for IFRS 9 and IFRS 15. The Group applied IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and assessed the impact of IFRS 16 Leases. IFRS 15 and IFRS 16 has no significant impact on the results of the group.

In its adoption of IFRS 9, the Group has used the modified retrospective approach with adjustments made to balances at the date of initial application. Investments previously held as available for sale under IAS 39 have been reclassified as fair value through profit and loss and the historical revaluation reserve has been transferred to retained earnings resulting in opening retained earnings as at 1 October 2018 being restated. Additionally, fair value gains and losses on these investments, previously recognised in other comprehensive income with related foreign exchange gains and losses being recognised in other expenses, are now both included in 'Sundry gains and losses' in the statement of comprehensive income.

These reviewed results have been prepared under the supervision of N Salie CA(SA).

## 2. Related party transactions

Related party transactions for the current year are similar to those disclosed in the group's annual financial statements for the year ended 30 September 2018. No new significant related party transactions arose during the current year.

## 3. Long term and short-term borrowings

Cumulative redeemable preference shares with dividends linked to prime are payable on a quarterly basis, with R150 million capital repayments due on 1 April 2020 and 1 April 2021 respectively.

## 4. Fair value disclosure

**The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:**

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as closing prices) or indirectly (i.e. derived from closing prices). The majority of Level 2 investments are deposits held with financial institutions. The fair values of these deposits are determined using a discounted cash flow valuation methodology based on market rates, reflecting the time value of money and counter party credit risk. The fair value of policyholder and investment partnership liabilities that are included in Level 2 of the hierarchy are measured with reference to the quoted prices in an active market of the investments underlying the liabilities. Cash and cash equivalent balances along with their related liabilities of R1 705 million (R1 383 million: 30 September 2018) have been excluded from the below table in current and prior years respectively.

**Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	LEVEL 1 R MILLION	LEVEL 2 R MILLION	LEVEL 3 R MILLION	TOTAL R MILLION
<b>September 2019 (audited)</b>				
Investments backing policyholder funds and investments held through investment partnerships	43 018	4 880	–	47 898
Investment securities	1 141	–	4	1 145
	<b>44 159</b>	<b>4 880</b>	<b>4</b>	<b>49 043</b>
Policyholder, external investor and investment partnership liabilities	–	48 153	–	48 153
<b>September 2018 (audited)</b>				
Investments backing policyholder funds and investments held through investment partnerships	45 017	5 024	–	50 041
Investment securities	1 189	–	1	1 190
	46 206	5 024	1	51 231
Policyholder, external investor and investment partnership liabilities	–	50 259	–	50 259

During the current year, a net amount of R255 million in debentures (included in Investments backing policyholder funds and investments held through partnerships) were transferred from Level 2 to Level 1 as these are now considered to be held in an active market.

Fair value for all other financial assets and liabilities have not been presented because they are not carried at fair value and their carrying amounts approximate fair value.

## 5. Non-controlling interest in consolidated funds and external investors in consolidated funds

The group consolidates both the Coronation Global Frontiers Fund and the Coronation Global Equity Select Fund due to the seed capital invested in the funds relative to the total fund size being significant. These investments give rise to non-controlling interest in consolidated funds and the external investor liability amounts respectively.

The group's interest in the Coronation Global Frontiers Fund is 53% (2018: 51%) and it's interest in the Coronation Global Equity Select Feeder Fund is 55% (2018: 52%).

## 6. Contingent Liabilities: South African Revenue Service (SARS) matters

From time to time, in common with other organisations, the group is subject to review by SARS. The group has been the subject of a review on a matter of principle relating to international operations, and assessed for the 2012 to 2017 financial periods, to which management strongly disagrees and has objected. Management is confident, supported by external advisors, of the group's position and an outflow is not considered probable when the matter is interpreted by a court of law, the ultimate tax authority on these matters. This matter will now proceed to Tax Court. Any amounts involved are currently not considered capable of reliable estimation.

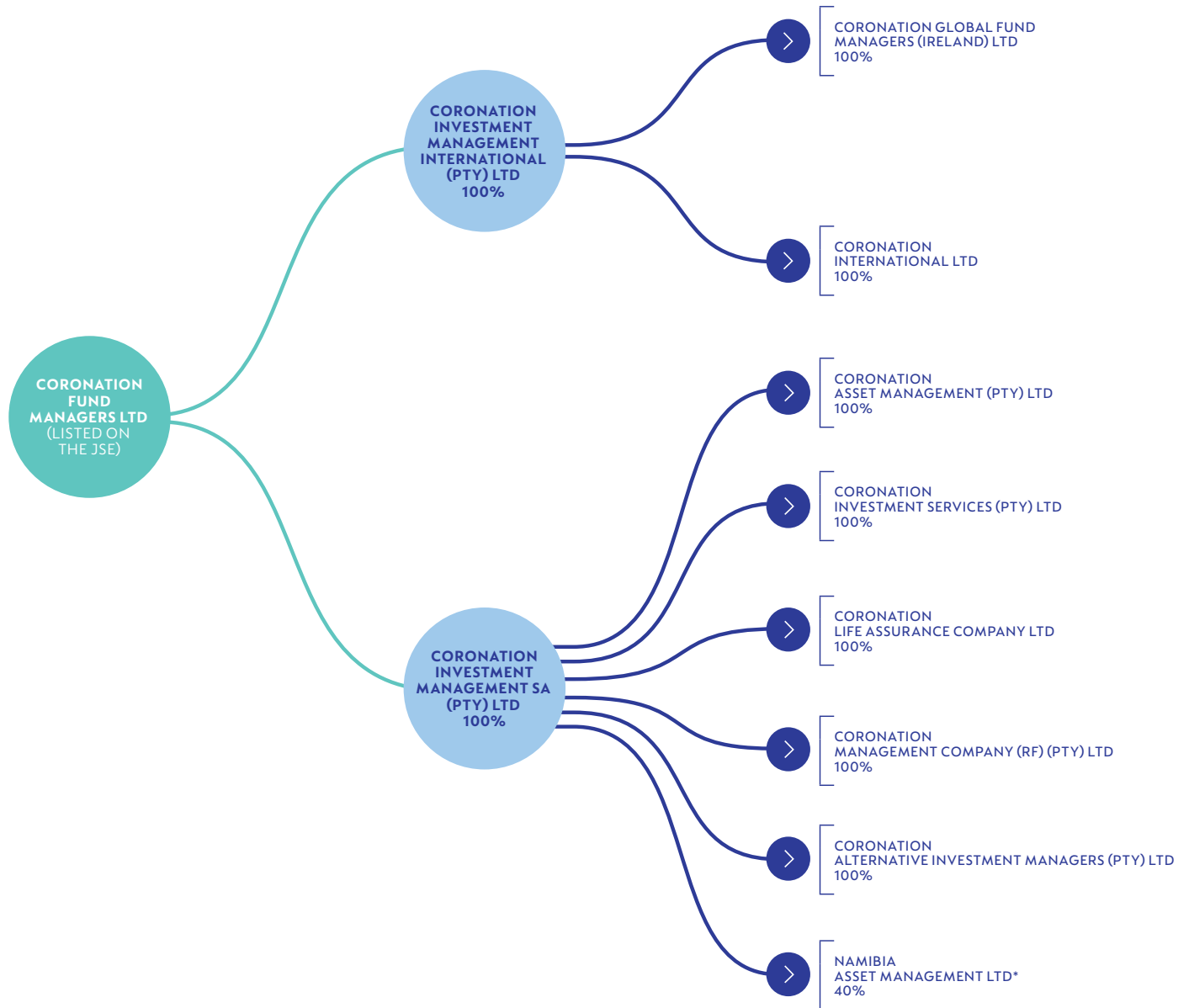
## 7. Events subsequent to reporting period

Coronation Investment Management International (Pty) Ltd (CIMI) provided the seed funding for a Common Contractual Fund issued by Coronation Global Fund Managers Ireland for the amount of USD 13 million, which the group will then control. This amount was subsequently funded by a Term Loan Facility Agreement with the Standard Bank of South Africa Limited ("Standard Bank") entered into on 18 October 2019, in terms of which Standard Bank made a term loan facility in the amount of USD 10 million available to CIMI. The Loan Facility is a fixed rate loan and capital repayment is due in October 2024. Coronation Investment Management SA (Pty) Ltd serves as the guarantor to the loan.





# Corporate structure



\* Not included in the scope of this report. See <http://www.namasset.com.na> for more information.



# Company information

## Annual general meeting:

Tuesday, 18 February 2020 at 14:00

**Share code (ordinary shares):** CML

**ISIN:** ZAE000047353

**LEI:** 378900F76170CCB33C50

## Board of Directors

### Executive directors:

Mr Anton Pillay (Chief Executive Officer)

Ms Mary-Anne Musekiwa (Chief Financial Officer) (*appointed 12 June 2019*)

Mr John Snalam (Chief Financial Officer) (*resigned 12 June 2019*)

### Non-executive directors:

Mr Shams Pather (Chairman)\*

Mr Lulama Boyce\*

Ms Judith February\*

Mr Jock McKenzie\*

Dr Hugo Nelson\*

Prof Alexandra Watson\*

Ms Madichaba Nhlumayo<sup>1</sup>\*

<sup>1</sup> Appointed to the Board 12 June 2019

\* Independent non-executive directors

## Company Secretary

Ms Nazrana Hawa (*appointed 13 August 2019*)

Mrs Lee-Anne Parenzee (*resigned 30 June 2019*)

## Registered office

7th Floor, MontClare Place  
Cnr Campground and Main Roads  
Claremont 7708  
Cape Town

## Postal address

PO Box 44684  
Claremont 7735

## Transfer secretaries

Computershare Investor Services (Pty) Ltd  
Rosebank Towers  
15 Biermann Avenue  
Rosebank 2196  
(PO Box 61051, Marshalltown 2107)

## Auditors

Ernst & Young Inc.  
3rd Floor, Waterway House  
3 Dock Road  
V&A Waterfront  
Cape Town 8001

## Sponsor

PSG Capital Proprietary Limited  
(Registration number 2006/015817/07)  
1st Floor  
Ou Kollege Building  
35 Kerk Street  
Stellenbosch 7600  
(PO Box 7403, Stellenbosch 7599)

and

2nd Floor, Building 3  
11 Alice Lane  
Sandhurst  
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(PO Box 650957, Benmore 2010)

### Disclaimer

All information and opinions herein are of a general nature and are not intended to address the circumstances of any particular individual or entity. Accordingly, there may be limitations as to the appropriateness of any such information and opinions. It is therefore recommended that the reader first obtain the appropriate legal, tax, investment or other professional advice prior to acting upon information or opinions. Neither Coronation Fund Managers Limited nor any subsidiary of Coronation Fund Managers Limited (collectively "Coronation") is acting, purporting to act nor is it authorised to act in any way as an adviser. Any information or opinions contained herein may change and are expressed in good faith. Coronation does not undertake to advise any person if such information or opinions should change or become inaccurate. This document is for information purposes only and does not constitute or form part of any offer to the public to issue or sell, or any solicitation of any offer to subscribe for or purchase an investment, nor shall it or the fact of its distribution form the basis of, or be relied upon in connection with any contract for investment. In the event that specific unit trusts, funds and/or strategies (collectively "funds") and/or their performance is mentioned, please refer to the relevant fact sheet and/or MDD in order to obtain all the necessary information regarding that fund ([www.coronation.com](http://www.coronation.com)). Fund investments should be considered a medium- to long-term investment. The value of investments may go down as well as up, and is therefore not guaranteed. Past performance is not necessarily an indication of future performance. Fluctuations or movements in exchange rates may cause the value of underlying investments to go up or down. Funds are allowed to engage in scrip lending and borrowing. Performance is calculated by Coronation for a lump sum investment with income distributions, to the extent applicable, reinvested. Coronation Fund Managers Limited is a full member of the Association for Savings & Investment SA (ASISA). Coronation Asset Management (Pty) Ltd (FSP 548), Coronation Investment Management International (Pty) Ltd (FSP 45646) and Coronation Alternative Investment Managers (Pty) Ltd (FSP 49893) are authorised financial services providers.

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