



Strategic focus areas

Our business is underpinned by five key pillars that guide our strategic and operational activities. Particularly in times of crisis, these pillars keep us focused, enabling us to look through short-term noise and remain true to our purpose.



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.

1st

QUARTILE PERFORMANCE

Institutional balanced portfolios

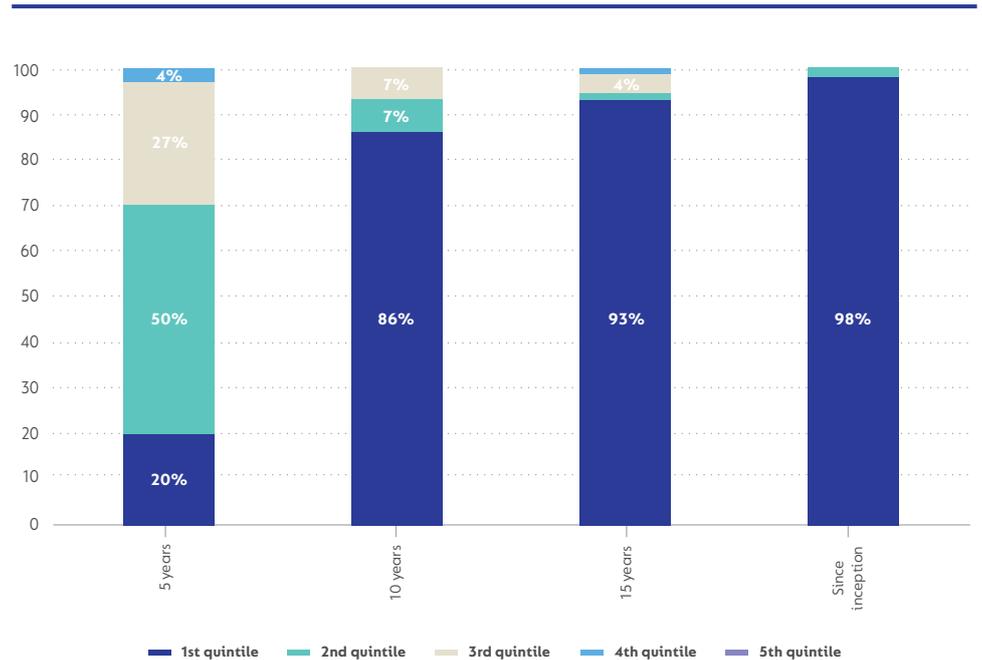
QUARTILE RANKING TO 30 SEPTEMBER 2020

	5-year ranking	10-year ranking	20-year ranking	Since-inception ranking
Alexander Forbes South Africa Large Manager Watch™	1	1	1	1
Alexander Forbes South Africa Global Large Manager Watch™	1	1	1	1

Source: Coronation and Alexander Forbes as at 30 September 2020

Domestic and global flagship unit trust funds

QUINTILE RANKINGS TO 30 SEPTEMBER 2020



As at September 2020. Asset-weighted performance of 18 funds representing 97% of rand-denominated CIS funds included above. Five specialist funds with less than five comparable funds in category excluded. Source: Morningstar using primary share classes and formal ASISA categories for all funds (except Global Managed, compared to Global – MA – Flexible and High Equity Categories combined and Market Plus, compared to SA – MA – Flexible). Numbers may not add up due to rounding.



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

Sustainable investing

We report our approach to stewardship, the integration of environmental, social and governance (ESG) factors **into our investment process** and our voting and engagement activities annually, on a calendar year basis, in a separate Stewardship Report.

Below is an excerpt from our 2019 Stewardship Report. For more details, including our views on key ESG themes and our proxy voting and engagement records for the calendar year 2019, please read the full report, which is available on our website. For information on our corporate stewardship activities, please go to → [page 20 of this report](#).

Coronation is signatory to multiple responsible investing codes, including the Principles for Responsible Investment (PRI) and the Code for Responsible Investing in South Africa (CRISA). In addition, we adhere to the principles denoted in the updated UK Stewardship Code, which was published in the latter part of 2019. As signatory to these codes, we work very hard to ensure that we continue to take cognisance of, and champion, their tenets and principles.

Our stewardship activities enable 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.

Stewardship approach

We believe that companies and organisations that manage ESG factors more effectively are more likely to endure over time and create sustainable value over the long term.

We are cognisant that the impact of ESG factors on long-term value creation can emerge gradually, or through a crisis that may result

from years of mismanagement or poor assessment of the strategic relevance of ESG matters. These factors can have clear and direct impacts on a company’s profitability, for example, through tighter regulation leading to higher operating costs. They can also influence customer loyalty, brand equity, the ability to attract talent and a company’s licence to operate. The concept of ESG is vast and we are building on our framework, which will continue to evolve over the years. As such, our current framework aims to capture, inter alia, the following:

- ▶ E – climate change, carbon emissions, energy efficiency, air and water pollution, water scarcity and waste management;
- ▶ S – human rights, local impact and employment, child labour, working conditions, health and safety standards, anti-corruption, empowerment of minorities or previously disadvantaged groupings and data privacy; and
- ▶ G – anti-corruption, alignment of interests, executive compensation, board independence and strength, shareholder rights, capital allocation, ethical conduct and third-party assurance.

Our approach to ESG-related activities in our investment process is underpinned by three core pillars: integration, engagement and collaboration. This framework informs our actions, through which we are able to influence positive changes that will create more value in the portfolios we manage on behalf of our clients. We generally find, as a first step, that engagement is more constructive and effective outside of the annual general meeting environment, either through in-person meetings or via writing letters to boards of directors.



IN 2020

144

formal engagements

100%

proxies voted

However, where we are not achieving the desired results on issues on which we have a strong view, we will collaborate with other shareholders, and if need be, escalate the issues into the public arena via the media.

Proxy voting and engagement

During the 2020 financial year, 144 formal engagements were held with investee company management teams, and we voted 100% of all proxies.

Firm-wide proxy voting summary

The following is a summary of our corporate action (voting and outcomes) for the period between 1 October 2019 and 30 September 2020.

Resolution	Votes
Abstained	39
Not supported	549
Supported	5 796
Number of resolutions	6 384

In addition to our Stewardship Report, all proxy voting results are available in the stewardship section of our website: www.coronation.com. For details on our approach to managing environmental considerations in our business operations, → refer to page 21.

Climate change

Climate change is already a measurable global reality and our home country, South Africa, along with other developing countries, is likely to see a more pronounced impact due to the perceived lack of financial resilience. South Africa has an energy-intense economy and, as such, is a significant contributor to global carbon emissions.

The Paris Agreement of 2015 served notice that companies could not continue with a business-as-usual approach. As active managers with a long history of engaging with companies to drive meaningful change, we believe that we are well positioned to be an active and meaningful change agent to influence favourable climate-related resolutions.

The impacts of climate change are potentially significant if not mitigated. These include,

among others, physical, transition and disclosure risks. As economies change from being predominantly fossil fuel dominated to a lower-carbon world, the transition will impact all aspects of the economy and society as it has become clear that, in the long term, economic, environmental and social risks are linked.

Industry engagement

Coronation is signatory to Climate Action 100+, which is a large investor-led initiative focusing on systematically significant greenhouse gas (GHG) emitters. As a signatory, investors agree to engage with more than 100 of the world's largest such corporations to curb emissions, strengthen climate-related financial disclosures, and improve governance on climate change risks and opportunities. To date, signatories of Climate Action 100+ have been important catalysts for action, alongside significant moves by policymakers and civil society. As part of this initiative, Coronation has participated as a collaborating investor on both Sasol and Eskom.

Coronation is an official supporter of the Task Force on Climate-Related Financial Disclosures (TCFD), a private sector international task force formed to develop recommendations for mainstream financial disclosure of climate risks and opportunities across sectors. We will use its recommendations where appropriate and in engaging with our peers and investee companies on reporting challenges. In this way, we hope to gain improved information and disclosure from companies to help better understand and value climate-related risks.

Given all of the above, it is fair to conclude that the past year has seen major advances in our ongoing goal to understand the risks and opportunities posed by climate change. We are taking action today based on our understanding of the current situation and challenges. We constantly monitor new developments and our approach to climate change will evolve over time.

To read more about our stance on how we approach key ESG-related themes in our investment process, please refer to our Stewardship Report on www.coronation.com.





EXCELLENT CLIENT SERVICE

In the Covid-19 remote work environment, we continued to offer our clients a world-class experience, the benefits of leading-edge systems, and thought leadership conferences and publications that were distributed in digital formats.

CLIENT SURVEY SHOWS

>90%

client loyalty rating

>95%

of client calls answered
within 30 seconds

In a world that was swiftly disrupted by Covid-19 and the associated social distancing, between 75% and 85% of our employees have been working remotely, continuing to offer our clients and stakeholders high levels of service excellence. We know that without clients we have no business and that the assets under our management can leave us at 24 hours' notice. No matter what the operating conditions, putting clients' needs first is at the forefront of what we do.

Client satisfaction

Following our annual client survey, we are pleased to report that client loyalty remains above 90%. We do not take this rating for granted, and continually review both positive and negative feedback to improve our service. From our annual client services survey, we learnt that our investors found the covering note on their quarterly statement to be the most useful information regarding the Covid-19 crisis.

Our compliance department reviewed all complaints received on a monthly basis and found that no material client complaints required formal escalation to the Audit and Risk Committee and chairperson of the Social, Ethics and Transformation Committee. Coronation supports the principles set out in the Financial Sector Conduct Authority's (FSCA) Treating Customers Fairly initiative and, through our involvement with ASISA, we actively engage in refining the practical aspects of this outcomes-based framework.

Enhanced client service platforms

During the period under review, we continued to build on the various client service enhancements released during 2020 that aim to enhance our capacity to deliver world-class service. We expect to launch our new, mobile-friendly transactional platform for direct clients in mid-2021.

Committed to high-quality client service

As soon as it became apparent that Covid-19 was set to become a pandemic, 100% of our employees were equipped to work remotely. Throughout lockdown, 84% of our call centre staff and 100% of our validations team have been working from home. And, in spite of the added challenge of intermittent load shedding, we consistently managed to answer client calls within 30 seconds at least 95% of the time.

Communication and engagement

This year's challenging environment precipitated the need for extra communications to clients and stakeholders. Between October 2019 and September 2020, our retail team sent an estimated 930 000 emails to investors and stakeholders. These included both transactional information and report backs on our portfolios and the operating environment. Independent Financial Adviser (IFA) client engagements were up approximately 10% for the year as investment specialists increased their market activities, aided by the ease of conducting meetings online.

In the institutional arena, we had 683 client engagements during the course of the year, with a material shift to conference calls as lockdown impacted face-to-face engagement. At the advent of lockdown, we also stepped up email communications in a bid to keep our institutional clients informed as to our research and the current positioning of their portfolios.

Expert client service professionals

We have an experienced team of client service professionals and fund managers who are responsible for identifying potential investors by building trusted and long-term relationships, underpinned by high-quality client service.





ACTIVE CORPORATE CITIZENSHIP

We are a significant South African corporate citizen who is committed to building a transformed and inclusive financial services sector and an equitable society. The Covid-19 pandemic called on us to demonstrate operational agility to ensure business continuity and to respond to the devastating impact of the economic shutdown.

>100

COVID-19 SPECIFIC CALLS
BY THE INVESTMENT TEAM

#1

CORPORATE PAYROLL
CONTRIBUTOR TO THE
SOLIDARITY FUND

R13m

TO COVID-19
RELIEF EFFORTS

31

CHARITIES
SUPPORTED

Covid-19 relief

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. Our Covid-19 relief response was multifaceted and saw us amplify our advocacy and efforts to mitigate the devastating impact of the pandemic on the local economy to help secure an inclusive society. Senior members of our business continued to engage both government, industry bodies and experts on the socioeconomic and health impacts of the pandemic, while seeking solutions for the responsible, yet crucial unlocking of businesses.

Industry collaboration

The majority of our regulatory interaction is with the South African FSCA and the South African Prudential Authority, either directly or through our involvement with 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.

As a member of the South African business community, Coronation is part of the CEO Initiative, a shareholder in the SA SME Fund and a member of Business Leadership South Africa. Further, in terms of our global operations we abide by the requirements of the Investment Company Institute (US), the Irish Funds Industry Association and the UK Stewardship Code.

In demonstration of our commitment to increased stewardship and ESG³ integration in our investment and operational activities, we are signatory to, or a member of, several voluntary organisations. For more information

on these organisations and our integration of ESG factors in our investment process, please refer to our 2019 Stewardship Report, available on www.coronation.com. This will be updated with our 2020 stewardship activities in the first half of next year. Our operational initiatives are detailed below.

Corporate sustainability

Social impact

We are committed to advancing transformation in South Africa and creating a better society for all. Through disciplined recruitment, we focus on transformation across all areas of our business and have made a significant contribution to the transformation and development of skills in the broader financial services industry. In addition, our CSI programmes aim to address the South African education crisis and support food security in local communities.

For details on our social impact initiatives:

- ▶ **Commitment to gender equality**
(→ refer to page 50)
- ▶ **Black ownership of our Company**
(→ refer to page 43)
- ▶ **Supporting black businesses in financial services**
(→ refer to page 43)
- ▶ **Recruitment and employee development**
(→ refer to page 49)
- ▶ **Bursaries and internships**
(→ refer to page 44)
- ▶ **Corporate social investment**
(→ refer to page 46)
- ▶ **Transforming our business**
(→ refer to page 43)

³ Environment, social and governance

Environmental impact

Environmental issues, such as climate change, water scarcity and pollution are among the most significant challenges of our time. Without a healthy environment, we cannot have a thriving society or a sustainable economy. As a company with the long term at the heart of everything we do, we understand the materiality of climate-related risks and the need for transparent reporting. In March 2020, Coronation became a signatory to the Task Force on Climate-Related Financial Disclosures (TCFD).

Task Force on Climate-Related Financial Disclosures

As a supporter of the TCFD, the Board has undertaken to provide more oversight over climate-related risks and opportunities. As from the 2021 financial year, climate-related risks and opportunities will be tabled at Board and Audit and Risk Committee meetings to ensure that climate risks are considered when formulating strategy. To support this, management has been mandated to identify and report on climate-related risks. The Board has also undertaken to undergo training on climate-related matters to ensure that it is equipped to assess climate-related issues.

Our carbon footprint

As a first step in reporting on climate change risks, the Board mandated management to conduct a carbon footprint assessment of the Company and to report on the measurements. The Board has further resolved that the Company should prioritise and invest in projects that would offset its carbon footprint by no later than the end of 2021, with the aim of achieving a carbon neutral footprint. We will be well positioned to formally report in terms of TCFD in the next 12 months.

It is important to note that our standard operating activities were interrupted by Covid-19 for half of the reporting period. Factors that were impacted included employees working on site in our offices, air travel, employee commuting, service providers, onsite electricity, water and waste. This has meant our resources consumption and travel carbon emissions were much lower than we would expect in a standard operating year. We therefore expect our 2021 metrics to differ as our operations and travel once again commence.

Notwithstanding the material impact of lockdown restrictions on business-as-usual activities, we have made a solid start to tracking our environmental impact. We will continue to deepen our approach to monitoring and improving our operational sustainability. For insight into our 2020 assessment, → *refer to pages 22 and 23*. The full assessment is available on our website: www.coronation.com.





Our environmental impact

Scope of assessment

This assessment comprises the carbon emissions from the operational activities of Coronation's offices in South Africa, the UK and the Republic of Ireland and focuses on business operations only, and excludes the indirect carbon impacts of Coronation's core business of investing.

- Coronation has six physical office locations that drive our resource consumption. These premises are leased and any infrastructural changes to positively impact our sustainability would be negotiated with our lessors.
- Our head office is in Cape Town (324 employees), with others in Johannesburg (7), Durban (3), Pretoria (3), London, UK (7) and Dublin, Republic of Ireland (4).*
- The assessment methodology** used followed the Greenhouse Gas Protocol published by the World Business Council for Sustainable Development and the World Resources Institute (WBCSD/WRI Protocol).

The Three-Scope Framework

The WBCSD/WRI Protocol provides a three-scope reporting framework. Business activities and their associated GHG-producing activities are outlined and classified according to the appropriate scope.

Scope 1:

Stationary combustion and refrigerants. Scope 1 emissions were not material in the reporting period.



GENERATOR

Scope 2:

Procured grid electricity.



ELECTRICITY

Scope 3:

Materials, business travel, staff commute, municipal water and waste.



FLIGHTS



COMMUTE



ACCOMMODATION



VEHICLE HIRE



WASTE



MATERIALS



WATER

OUTPUT



CARBON

* Employee numbers include contractors.

** Methodology: The assessment methodology followed the reporting principles and guidelines provided by the Greenhouse Gas Protocol published by the World Business Council for Sustainable Development and the World Resources Institute (WBCSD/WRI Protocol). The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard provides requirements and guidance for companies and other organisations preparing a GHG emissions inventory. The WBCSD/WRI Protocol provides a three-scope reporting framework. All three scopes were assessed. In instances where data was not available, an extrapolation based on available data and headcounts was made.

TOTAL CARBON EMISSIONS

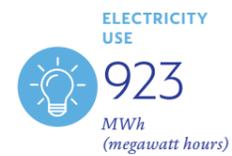


AVERAGE PER EMPLOYEE



Electricity

Procured grid electricity was the main energy source for our built operations in 2020.



Business travel and commuting



Water

While water consumption is not a material part of our operations, we recognise careful consumption is good practice, particularly in water-stressed locations in South Africa.

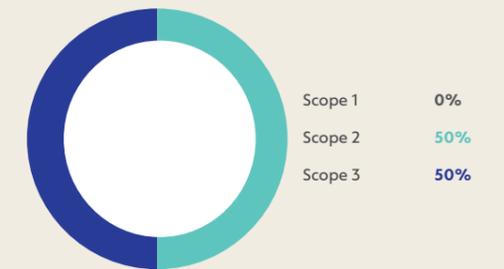


Waste and materials

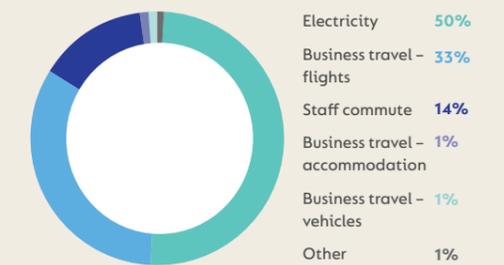
Waste and materials are not material issues for our office operations. However, managing waste production and material usage is good practice.**



SCOPE OF EMISSIONS



CARBON CONTRIBUTORS***



*** Waste, materials and water not material contributors to impact.

Current initiatives that reduce our environmental impact

- Energy-efficient motion sensor lighting
- Dedicated recycling areas
- Paper shredded and recycled
- Organic waste composted
- Biodegradable catering containers
- Water conservation promoted among employees
- Refillable water bottles and on-tap water stations

Future focus

- Review of business practices to reduce our carbon emissions where possible
- Contract an appropriate carbon offset partner
- Board-level reporting on climate change
- Continue to track progress in 2021 using 2020 reporting figures as our baseline
- Reporting aligned with TCFD guidance

* Days are for in-office only and exclude Covid-19 work-from-home days. Note that between 75% and 85% of our employees worked from home under lockdown conditions.

** Not all offices provided paper consumption data, so this figure is likely understated and, due to its immateriality, an extrapolation was not applied.





GROWING A GLOBAL FRANCHISE

As global investors, we offer our clients access to in excess of 27 years of investment experience across global developed, emerging and frontier markets. Our global clients include leading international retirement funds, endowments and family offices.

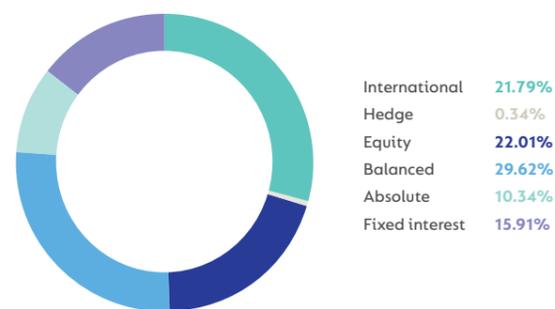
Over the last decade, we have focused our efforts on expanding our investment capabilities to cover a broad range of markets in a few targeted global strategies.

Active management continues to deliver

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 that has enabled us to successfully manage money in South Africa for the past 27 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 in assessing 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.

MANDATE TYPE



Source: Coronation

New products

In October 2019, we launched the Coronation Global Sustainable Equity Income Fund. This is a global equity fund that offers a combination of superior risk-adjusted, long-term returns and a dividend yield that is higher than that of the MSCI All Country World Index. Long-term sustainability is a core objective of the Fund. In addition to encouraging responsible business practices through our approach to stewardship and active engagement, the Fund also excludes investment in companies that derive a material part of their revenue from activities that cause, or could result in, material harm to society or to the environment.

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 R79 billion (September 2019: R66 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 our investment process

We are pleased with the strong performance of our Global Emerging Markets and Global Equity strategies during 2020, demonstrating the fortitude and discipline maintained throughout the tougher performance periods in prior years.



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 and spans the Group.

Outside 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. In line with the good-governance requirement of succession planning, on 19 October 2020 we appointed three new independent non-executive directors.

Consequently, the integrity of the operating model and the information produced for the Board is subject to assurance through the Group-wide Combined Assurance Model.

King IV™

The Board will continue to ensure that Coronation applies global best-practice governance standards, where appropriate, 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™. Our King IV™ application register can be viewed on 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. As a whole, it 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 value to the business, while minimising duplication. Key aspects of our lines of assurance are as follows.

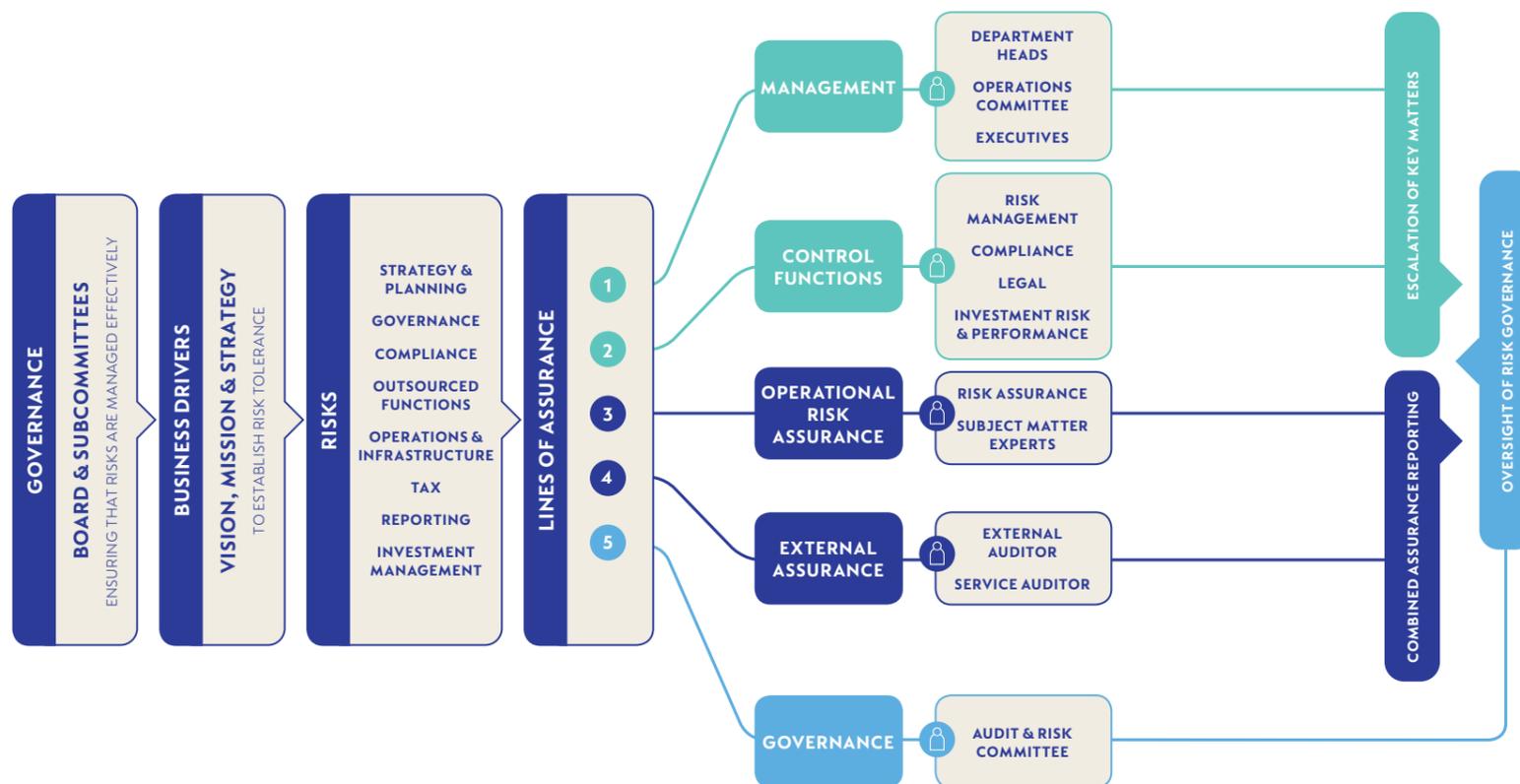
Management and control functions

Managers, as the first line of assurance, are primarily accountable for owning and managing risk in their departments. This includes implementing adequately designed controls that operate consistently to detect and/or prevent risks impeding the delivery of business objectives and in compliance with relevant regulation. Management is supported by specialist internal control functions within the second line of assurance, which includes the risk management 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 66 and 71, respectively).

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





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 and its chairperson to maintain the appropriate level of independence, and meets privately with the Audit and Risk Committee chairperson prior to each meeting. The activities of operational risk assurance are guided by the Operational Risk Assurance Charter, approved by the Audit and Risk Committee, 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 second-line control functions, such as risk management and compliance.

Execution of the plan is allocated to the provider best suited to each particular assurance requirement. The results of work performed by each assurance provider are reported by the Risk Assurance Manager, or directly by the assurance provider, 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 statements 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). Ernst & Young (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.

Audit firm rotation

In line with Coronation's decision to be an early adopter of mandatory audit firm rotation, 2020 is EY's final year as Coronation's external auditor, having served the Company in this capacity for a period of 10 years. Following the conclusion of a tender process, the Audit and Risk Committee has recommended, and the Board has endorsed, the proposed appointment of KPMG Incorporated (KPMG) as the external auditor of Coronation with effect from the financial year ending 30 September 2021. This appointment will be put to shareholders at the annual general meeting (AGM) of the Company scheduled for February 2021. Coronation thanks EY for their contribution over the years and looks forward to working with KPMG.

Combined assurance governance

The external auditors and the Risk Assurance Manager have unrestricted access to the Audit and Risk Committee. 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 63 for the Audit and Risk Committee report).